FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,271 Wednesday March 14 1984 D 8523 B

British budget in detail, Pages 12–25

NEWS SUMMARY

GENERAL

Lebanon council declares ceasefire

The Lebanese Reconciliation Council – the conference of rival factions meeting in Lausanne, Switzerland – declared a ceasefire from 9 pm Beirut time yesterday.

There were severe differences over whether President Amin Gemayel should sign the agreement, and the conference declaration was preferred.

A military commission, largely of retired military officials, is to be set up in Beirut to monitor demarcation lines between different militias. Page 26

French lorries burned

Spanish fishermen set fire to nine French lorries, mostly in the Basque region, in protest at last week's incident in which nine crewmen were injured when Spanish trawlers were fired on by the French navy. Page 2

Libya protests

Libya summoned the British ambassador in Tripoli and handed him a protest over the alleged arrest of 23 Libyans in Britain, one of whom, a member of its London bureau, was refused permission to leave London airport.

Iran accuses Iraq

Iran accused Iraq of using chemical weapons yesterday at Majnoon island in new Gulf war attacks.

Boost for Hart

Senator Gary Hart was expected to beat former Vice-President Walter Mondale comfortably in the Massachusetts primary contest for the Democratic presidential nomination, according to late opinion polls. Nine primaries and caucuses were being settled in U.S. states last night.

UK pit strike case

Britain's National Coal Board is to seek a High Court injunction against "flying pickets" from outside areas who helped close some mines yesterday against the wishes of the local workers. More than 100 of the UK's 174 mines were shut yesterday in the protest against pit closures. Page 26

Gandhi faces storm

Indian Premier Indira Gandhi was attacked in both Houses of Parliament over moves to provide protection for former Chief Minister of Maharashtra A. R. Antulay, now on trial in Bombay charged with illegal money transactions. Page 4.

Afghan desertions

An Afghan Government decision to extend the service of soldiers based in Kabul, the capital, from three years to four has prompted a wave of desertions, Western diplomats in Islamabad, said.

Ruling on Lennon files

A federal judge in Los Angeles ordered the U.S. Government to give reasons why the release of Federal Bureau of Investigation files on the late Beatles musician John Lennon might endanger security.

Jordan elections

Six Moslems and two Christians were elected to the Jordan lower house in by-elections yesterday, the first voting in Jordan for 17 years. Overall the results were a boost for Islam fundamentalists. Page 4

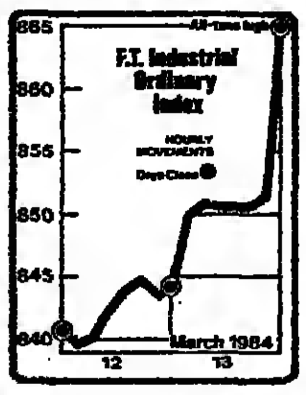
Rummenigge deal

Inter Milan said they had agreed to buy West German football captain Karl-Heinz Rummenigge from Bayern Munich for "less than L6bn" ($3.7m).

BUSINESS

FT index jumps to record 865

LONDON: FT Industrial Ordinary index bounded 20.9 on budget day to a record 865. Some government securities showed marginal gains. Report, Page 39; FT Share Information Service, Pages 40, 41



STERLING improved in late trading, rising 1.65c to $1.489 and Y328 (Y327.25), but easing to DM 3.78 (DM 3.785), FFr 11.635 (FFr 11.645) and SwFr 3.12 (SwFr 3.13). Its gains were not reflected in the Bank of England trade-weighted index, which slipped from 81 to 80.9. Page 45

DOLLAR fell to DM 2.5715 (DM 2.605), FFr 7.9225 (FFr 8.02), SwFr 2.123 (SwFr 2.153), and Y223.1 (Y225.1). Its trade weighting was down from 126.4 to 125.4. Page 45

GOLD closed unchanged in London at $397.75. In Frankfurt it rose $1.75 to $397.25, and in Zurich it rose $1.75 to $397.75. Page 44

WALL STREET: Dow Jones industrial average was 16.33 up at 1.30 pm, on 1,171.69. Report, Page 35; full share listings, Pages 36-38

TOKYO: Stock Exchange index rose 10.34 to a record 806.8. Nikkei Dow index was 108.22 up at 10,194.76: Report, Page 35; leading prices, other exchanges, Page 38

MANILA: Western bankers are concerned at the failure of the Marcos government to economise to reduce the country's $25bn debt. Page 4

AUSTRIA raised its discount rate from 3¾ per cent to 4¼ and its Lombard rate from 4¾ per cent to 5½. Page 26

UK INDUSTRIAL output rose 1 per cent in January as against December. Page 8

ITALSIDER, the Italian state-owned steel company, has won a $160m contract to supply the Soviet Union with 407,000 tonnes of pipe and related materials. Page 7

ANGLO AMERICAN INDUSTRIAL, the 46 per cent-owned arm of South African mining house Anglo American Corporation, reported 1983 pre-tax profits 14.6 per cent down at R211.8m ($175m).

DE BEERS Consolidated Mines, the leading South African diamond group, reported 1983 earnings 19.8 per cent up at R530.2m ($442.9m). Page 32

DEN NORSKE CREDITBANK and Bergen Bank, two of Norway's leading three commercial banks, disclosed sharply increased profits last year, but held their dividends at 13 per cent. Details, Page 27

HONG KONG and Shanghai Banking reported 1983 net profits 5.7 per cent up at HK$2.49bn ($320m). Page 29

UDDEHOLM, Swedish special steels group, cut its losses by 54 per cent in 1983, to SKr 114m ($14.7m).

CRA, the Australian mining group, denied yesterday a report that it had acquired a large shareholding in the Maximilianhütte steelworks, a subsidiary of Klöckner-Werke of West Germany. CRA entered into a technology-sharing agreement with Klöckner in 1981.

British payments still obstacle after EEC accord

BY JOHN WYLES IN BRUSSELS

THE QUEST for a permanent reduction in Britain's net payments to the budget of the European Economic Community looks set to dominate next week's summit of heads of government after vital breakthroughs yesterday in reform of the Common Agricultural Policy.

EEC farm ministers produced an unexpected outline agreement for curbing the Community's runaway milk production with an unprecedented system of production quotas and levies.

They followed up later by agreeing on the main lines of an arrangement for dismantling the system of border taxes and levies, known as Monetary Compensation Amounts (MCAs), which is unpopular with French farmers.

Scenting the possibility of a political success, and possibly also under instructions from Paris, M Michel Rocard, France's Agriculture Minister and president of the EEC farm council, is calling his colleagues back to Brussels on Friday to try to finish the job on farm prices and reform.

The heads of government will still have to settle some outstanding and politically important details of yesterday's draft agreement when they meet next Monday and Tuesday. Nevertheless, French officials *yesterday* were isolating the British budget problem as the only remaining serious obstacle to adoption by the summit of farm and budget reforms capable of relaunching the Community.

"If the summit fails, then the responsibility will clearly lie with Mrs Thatcher" (the UK Prime Minister), one official said.

The British Government will not be unhappy for the budget issue to be seen as holding the key to the summit, since London hopes that the lure of success will evoke the political courage and readiness to compromise necessary for a settlement.

Neither was much in evidence during the fruitless discussions between foreign ministers on Monday evening. Some governments *seemed to draw back from* their earlier readiness to negotiate a system capable of pegging the UK's net payments to Brussels at predictable levels in future years.

Instead, M Claude Cheysson, France's President of the Council, allowed a discussion on the size of possible reductions in British payments which the Nine might be ready to offer. They ranged from Ecu 750m ($643m) supported by France to Ecu 1bn from Denmark. The UK's unadjusted payments last year were about Ecu 1.9bn.

Sir Geoffrey Howe, Britain's Foreign Secretary, rejected the idea of a fixed reduction that would leave Britain's payments liable to rise to unacceptable levels in subsequent years.

He also hinted at the scale of *reduction Britain was looking for.* According to sources close to the discussion, he said Britain would need a cut in its payments of about Ecu 1.2bn when the Community was enlarged to include Spain and Portugal in 1986.

Sir Geoffrey was seen as signalling a readiness to make a larger contribution to the budget than the Ecu 400m to Ecu 500m mentioned by Mrs Thatcher at the Athens summit because Britain's unadjusted payments would be bigger then than now.

Yesterday's breakthrough on milk was as surprising as it was sudden. It sets a firm annual quota system for five years beginning at 98.8m tonnes, and falling to 97.8m tonnes after one year.

The key issue of Irish milk production was not considered, and Ireland's demands for exemption from the production curbs, and the associated levy on surplus output, will be negotiated at the summit.

While *farmers'* organisations were warning of the damaging consequences for milk producers, Mr Michael Jopling, the UK's Minister for Agriculture, was "delighted" to have an agreement that was fair to British farmers.

His reservations on the draft MCA arrangements, however, will be carried to the summit. Britain opposes the estimated Ecu 401m cost of the plan which will give 3 per cent price rises to farmers in all countries except the UK, the Netherlands and West Germany.

That opposition ensures that the summit will have to try to resolve how to finance the CAP this year when spending is heading for more than Ecu 18bn and only Ecu 16.5bn is available in the EEC's budget.

Dairy accord raises summit hopes, Page 2

UK budget brings major change in tax structure

BY MAX WILKINSON, JOHN MOORE AND PHILIP STEPHENS IN LONDON

MR NIGEL LAWSON, British Chancellor of the Exchequer, yesterday presented a wide-ranging programme of tax reforms in his budget for the 1984-85 financial year.

They are intended to pave the way for an estimated £13½bn ($19.7bn) in tax cuts over the next five years, although yesterday's budget almost exactly balanced the effects of tax increases and reductions for 1984-85.

Tax changes in the next financial year, affecting companies, individuals and institutions, were announced against the background of a generally optimistic outlook for the British economy.

Mr Lawson said the economy was expected to grow by 3 per cent this year with annual growth sustained at about 2¼ per cent until the end of the decade and inflation falling slowly to 3 per cent by 1988.

For 1984-85, Mr Lawson managed to find room to tighten his financial and borrowing targets while cutting taxes in the personal sector by a total of about £500m.

Mr Lawson's first budget received a broadly favourable reaction from financial markets and from industry.

Share prices on the London stock market soared to new high points in the aftermath of what the City of London described as "the stockbrokers' budget." The FT Industrial Ordinary index, the barometer of the share price movements of 30 leading shares, rose 20.9 points to 865, an all-time record. At mid-afternoon, ahead of the Chancellor's speech, the index was showing a rise of 7 points with the index standing at 851.1.

The FT-SE 100 index, which measures the minute-by-minute movements of 100 leading shares, closed 18.9 points up at 1082.5 after reaching 1082.7.

The budget brought gains for sterling on foreign exchanges and predictions from leading analysts that Britain's leading commercial banks would cut base lending rates by either a ¼ or ½ a point.

After losing ground against most currencies earlier, the pound recovered in late trading to close at $1.4690, up 1.65 cents against a generally weaker dollar.

Brokers and money market dealers said they expected other banks at least to follow last week's ¼ point cut by Barclays and lower base rates to 8¾ per cent. Many thought they could be tempted to leapfrog and go to 8½ per cent.

The Bank of England, which has so far stayed on the sidelines, again left its dealing rates unchanged, but the three-month interbank rate eased slightly to just below 9 per cent.

Industry leaders generally gave the budget a warm welcome, while trade union leaders complained that it offered little hope of an early reduction in unemployment.

[Mr Lawson delighted most Conservative MPs with the boldness of his budget, which produced few reservations and took some of the wind out of the sails of Opposition criticism, writes Peter Riddell, Political Editor. His speech was an undoubted personal triumph and received one of the most enthusiastic welcomes of any budget in recent memory.]

Mr Lawson, in a surprise move, *amended fiscal conditions affecting* non-domiciled employees working in Britain for non-resident employers, thus making London a much less attractive European post for foreign executives, notably those engaged in international banking.

The 50 per cent tax relief available on foreign emoluments, falling to 25 per cent where the recipient has been resident in the UK for nine out of the previous 10 years, is to be abolished. The latter concession will cease from April 1 and the 50 per cent rate is to be phased out over five years. From 1989-90, UK income tax will be payable on the full amount of the income.

Additionally, relief available to UK-resident individuals who work outside Britain for 30 days or more in any one tax year, including those on export promotion, is to be withdrawn. For the next fiscal year, the relief will be halved to 12½ per cent, and withdrawn entirely in 1985-86.

Commenting on the change to taxation of the estimated 10,000 non-domiciled executives in the

Continued on Page 26

Details, Pages 12-25; Editorial comment, Page 24; Lex, Page 26

MAIN POINTS

- **MONETARY AND FISCAL TARGETS:** public-sector borrowing requirements for 1984-85 of £7.25bn, 2¼ per cent of gross domestic product. Monetary growth targets of 6 to 10 per cent for M3 and 4 to 8 per cent for Mo.
- **BUSINESS TAXATION:** Corporation tax rate cut from 52 per cent to 50 per cent in 1983-84 with subsequent 5 per cent annual cuts, envisaging 35 per cent rate in 1986-87. Stamp duty halved to 1 per cent, to apply immediately to stock exchange transactions. Payment of value-added tax on imports speeded up. National Insurance surcharge abolished from October.
- ***INCOME AND CAPITAL TAXATION:*** *Tax relief of up to 50 per cent for foreign-domiciled individuals working in the UK for foreign companies is to be phased out over five years.* Tax relief for UK residents who work abroad for at least 30 days in a tax year will be phased out by April 6 1985, (details, Page 22.) Basic personal tax allowances increased by 7 per cent in real terms; thresholds for higher rates raised parallel with inflation. Banks and other licensed deposit-takers to withhold basic-rate tax from interest payments to all UK residents, but not corporate sector. Tax to be paid on that at composite rate, making banks accord with building societies; 15 per cent relief on life assurance premiums withdrawn on new policies; *investment income surcharge abolished.*
- **DUTY:** Cut of 18p on bottle of wine to conform with European Court ruling; rises of 10p on packet of 20 cigarettes (with similar increase on cigars, but none on pipe tobacco); 2p on a pint of beer, 3p on cider, 10p on bottle of spirits or sparkling wine; and 4½p on gallon of petrol.

Tougher rules proposed for U.S. takeovers

BY PAUL TAYLOR IN NEW YORK

THE U.S. Securities and Exchange Commission (SEC) yesterday approved a package of wide-ranging proposals that would impose federal restrictions on U.S. corporate takeovers.

However, the commission deferred action on some of the more controversial measures recommended last July by an advisory committee composed of 18 business leaders and merger strategists.

The proposals, if they become law, would nevertheless represent the first important attempt to regulate, at federal level, the tactics used in U.S. corporate takeover battles. They would also mark the adoption in the U.S. of takeover rules similar to those in many other countries, including the UK.

The commission, which met yesterday, approved most of the 50 changes recommended by the advisory committee, but agreed to study further several key proposals before acting.

The main proposals adopted include measures to curb "sneak attacks" by one company on another's stock. The SEC voted in favour of requiring a potential bidder to disclose a holding of more than 5 per cent in a target company within 24 hours after acquiring the stake. Under existing rules, a bidder does not have to disclose a holding until 10 days after passing the 5 per cent level.

The committee had recommended even tougher rules, requiring a bidder to disclose any potential stock purchase that would lift its stake over 5 per cent, and then wait 48 hours before buying any more shares.

The SEC also approved measures restricting "golden parachute" provisions. Under the plan, managements of target companies would not be allowed to give themselves expensive redundancy compensation once a tender offer had commenced.

Other provisions approved by the commission include restricting various anti-takeover defences—for example, selling large assets of a company to make it less attractive to a hostile bidder.

The commission deferred, however, a decision on halting purchases of a target company's stock beyond 20 per cent. Under the committee's proposals, a potential purchaser holding at least 20 per cent would be required to make a public tender offer to all shareholders to accumulate further shares, or buy them directly from the issuer.

The SEC also decided to conduct further investigations into the committee's proposals to extend the minimum tender offer period under which companies would be required to keep bids open for 30 days instead of the 20 days required at present.

The SEC's proposals have been eagerly awaited by the U.S. business community but face a potentially rough ride before becoming law. Although some of the proposals will be brought into effect simply by issuing rule changes, others will be subject to congressional approval – particularly those which impinge on state law.

Cartel Office sets conditions for Grundig-Philips merger

BY JOHN DAVIES IN FRANKFURT

THE WEST GERMAN Cartel Office has erected stumblingblocks to the proposed deal under which Grundig, the audio-video concern, would pass into the management orbit of Philips, the Dutch group.

The Cartel Office wants Grundig to sell its dictating machines operation and Philips to sell its 15 per cent stake in Loewe Opta, the West German television set maker. It has indicated that approval of the deal is in doubt unless these conditions are met.

Cartel authorities want to prevent Grundig and Philips together having an excessively strong market position in West Germany, particularly in dictating machines. Grundig at present has half that market and Philips a further 20 to 30 per cent.

The sale of Grundig's dictating machines operation might be complex and time-consuming as it is not a separate unit but part of an office equipment section.

The Cartel Office, however, has indicated that it would be prepared to condone the Grundig-Philips deal if the companies promised to make these sales over a certain period, possibly two to three years.

The Cartel Office had recently expressed a sympathetic attitude to Philips-Grundig co-operation, even though a few years ago it prevented Philips from acquiring more than its present 24.5 per cent stake in Grundig.

It is broadly sympathetic because the consumer electronics landscape has already changed, with moves by Thomson-Brandt of France to build up interests in West Germany and with growing Japanese competition.

But the Cartel Office, under Professor Wolfgang Kartte, can be a formidable hurdle to mergers and co-operation deals, as it believes in maintaining as much competition as possible in West German markets and is inclined to take a firm line in insisting that certain conditions be met for large deals.

Under the proposed deal, Philips is joining a consortium of banks in a complicated transaction to buy interests from Dr Max Grundig, the founder and controller of the West German group.

In a key move, Dr Grundig would then step aside to give a Philips nominee management control of the company.

Philips has already named Herr Hermanus Koning, at present head of Deutsche Philips, to head the Grundig operation.

Grundig yesterday took a cautious view of the Cartel Office position, suggesting that it was too early to comment.

Walter Ellis adds from Amsterdam: Philips appeared surprised by the Cartel Office announcement yesterday.

"As far as we are concerned, the discussions are still going on and we have no comment to offer," an official said.

It is understood, however, that if both companies are obliged to enter into agreements about disposals, the April 1 deadline for completion of the de facto merger could be endangered.

Even so, with Philips eager to set its relationship with Grundig on a new footing a postponement of a

Continued on Page 26

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EUROPEAN NEWS

EEC dairy accord boosts summit prospects

BY JOHN WYLES IN BRUSSELS

AT 2 am yesterday morning, the word leaking out of the EEC farm ministers' negotiations was that things were going very badly. At 2.30 worn and crumpled ministers emerged to announce that curbs on dairy production had been agreed and that one important reform of the common agricultural policy had thus been accomplished.

This sudden swing from deadlock to agreement is rare but welcome in a Community whose capacity for surprise seems rather limited. Because the negotiating pendulum can sometimes swing in this way it is perfectly possible to believe that next week's summit in Brussels may conjure agreements out of what still seem to be unfavourable conditions.

The summit's chances of deciding urgently needed budgetary reforms have been usefully improved by the dairy agreement. First of all, it demonstrates that the Ten can settle an important issue at a time of growing political and financial crisis. This could have an important psychological influence on the politicians.

The agreement also satisfies an essential demand from those governments — Britain, West Germany and the Netherlands —who are most determined to make EEC policies more cost-effective before they allow through the urgent increase in the Community's budget revenues.

The dairy settlement, which must be adopted by the summit as part of an overall package, is also an important personal achievement for M Michel Rocard, France's Agriculture Minister, who has been presiding over the negotiations. Many ministers doubted even yesterday whether he was really pushing for an agreement and it was not until late evening that his real determination emerged.

He, like most other farm ministers, has increasingly come to accept that something had to be done—even at the expense of some of France's 400,000 small milk producers.

Community output cannot be allowed to continue to rise at 3 per cent or more a year when consumption of dairy products grows by little more than 0.5 per cent. Total milk production —105m tonnes this year—is more than 20 per cent above the EEC's needs, while storage and disposal costs will swallow 40 per cent of this year's Ecu 16.5bn (£9.4bn) farm budget.

The scheme adopted yesterday has been under intermittent and fruitless discussion for the past two years. Governments have been reluctant to embrace it because it represents the first crucial "take-back" from farmers since the CAP was launched.

BRITAIN'S milk production in 1983-84 will have to fall by 8 to 10 per cent if the deal is ratified, National Farmers' Union economists calculate, writes Richard Mooney. "Some dairy farmers will have difficulty in surviving under these conditions," said Mr Ben Boot of the NFU.

Another official warned that beef production would be disrupted and cereal farmers could suffer because of reduced demand for feed grain. The milk processing and distribution industries would be hit and serious social damage was threatened in areas that depended heavily on dairying.

David Housego adds from Paris: French farmers were predictably hostile to the agreement. M Francois Guillaume, president of the FNSEA, the main farmers' association, said the Government had "yielded too much and accepted too many restrictions while France's European partners had not accepted the same sacrifices."

In time, it should lead to important restructuring in EEC farming, partly by eliminating the smallest and most uneconomic producers and partly by encouraging many of the Community's 2m dairy farms to switch to other products.

Once adopted, the new arrangement would run for five years on the basis of a total EEC quota of 97.2m tonnes. An additional 600,000 will be held in "reserve" but really used to satisfy Italian, Greek and Luxembourg demands for higher national quotas. These are determined on the basis of 1981 output plus 1 per cent.

As a result, the proportion of the UK's 1983 production which would have exceeded the quota would be 7.32 per cent. The proportion in Germany would be 7.62 per cent, France 2.95 per cent and the Netherlands 7.54 per cent.

Ireland, however, stands outside the agreement. The curbs would seriously damage the national economy, says Dublin. At next week's summit Dr Garret Fitzgerald, the Prime Minister, is expected to argue the optimistic case for a 40 per cent rise in Irish milk output over the next five years.

All EEC production above the quota would be subject to a "super levy" which is in effect a punitive and production-deterring 75 to 100 per cent reduction in the EEC's guaranteed price. Those governments basing the system on individual farm quotas would impose a 75 per cent levy and those fixing quotas for dairies would impose a 100 per cent levy (because a dairy system may exert less downward pressure on production).

The first 12 months will be regarded as a transition year when the overall quota (including the "reserve") will be 98.8m tonnes. The cost of the extra 1m tonnes will be recouped by adding 1 per cent to the 2.5 per cent "co-responsibility levy" already paid by all farmers.

An Ecu 120m EEC scheme for helping small dairy farmers would be maintained for two years and a butter consumption subsidy paid to the UK would be cut by 75 per cent, allegedly without any impact on shop prices. Ideally, the super-levy system should swiftly reduce total output by 5.04 per cent to 97.8m tonnes. When it does so, some Ecu 1.43bn could be saved on current expenditure.

But the scheme will only make a small contribution to savings this year — largely because it will take several months to introduce. As e result, it will not by itself bring spending back within the Ecu 16.5bn 1984 budget.

Basques burn French lorries after shelling of trawler

BY DAVID WHITE IN MADRID

FIVE FRENCH registered lorries, loaded with scrap, fertiliser and motor parts, were set on fire in the Spanish Basque region early yesterday morning in protest against the shelling last week of a Spanish trawler by the French navy in the Bay of Biscay. Two French trailers were also burnt.

Police reinforcements were sent in to prevent assaults by pickets on the main western border crossing between Irun and Hendaya but attacks further inland succeeded in virtually halting south bound road freight.

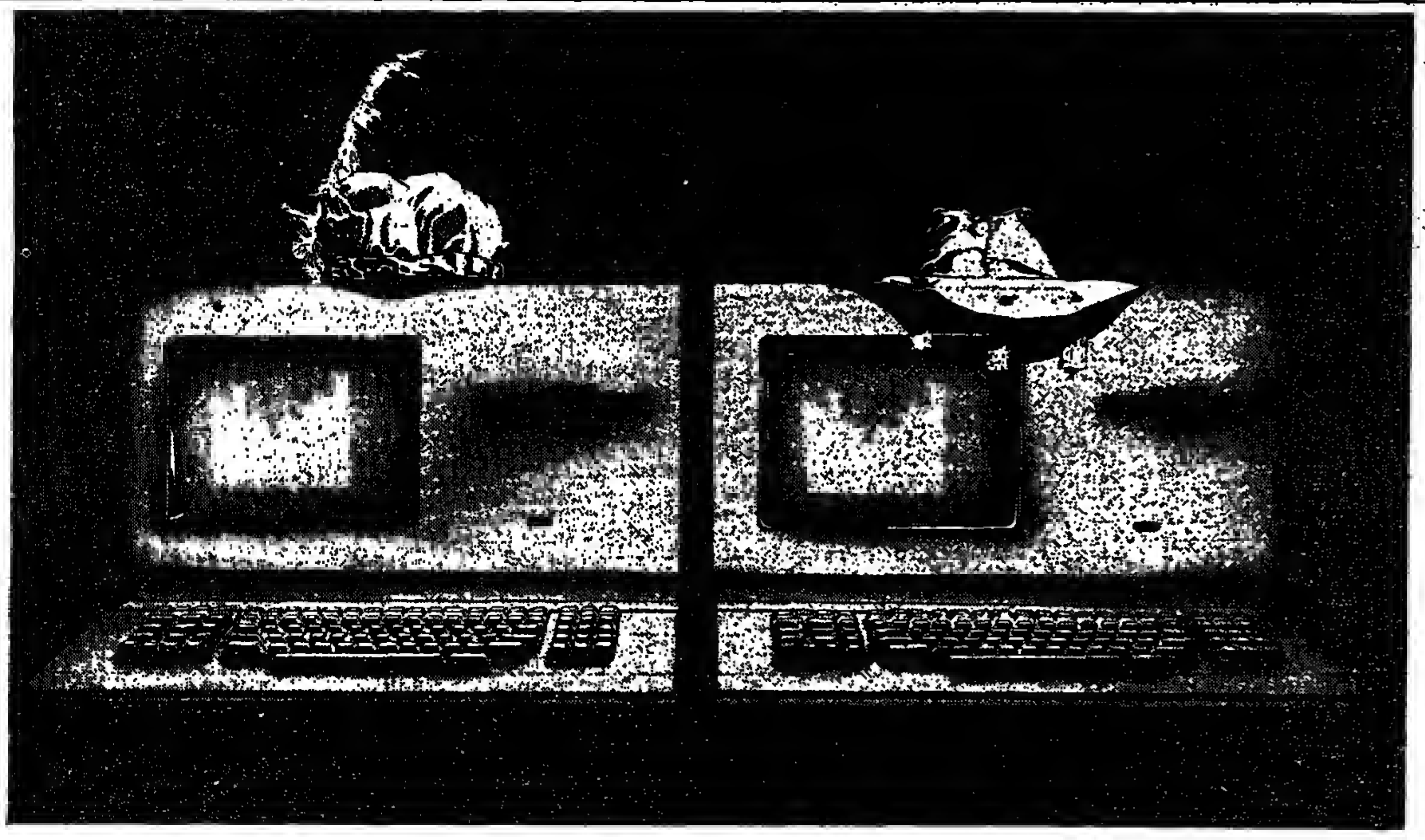
Lorries were diverted to other crossings including the motorway route on the far Mediterranean side, the scene of previous attacks against north bound trucks carrying Spanish fruit and vegetables. But several French drivers asked for police escorts there after Basque protestors were raported to be in the region.

The victims of the attacks, which began on Saturday while M Pierre Mauroy the French Prime Minister was in Madrid, have included a Spanish lorry carrying shellfish from the Netherlands and two Danish lorries loaded with fresh cod for the Spanish market.

Fishermen staged e further demonstration yesterday in Ondarroa, home port of the two Spanish vessels involved in last week's incident, amid pressure to block EEC fish imports.

The head of the Spanish Government's fisheries department, Sr Miguel Oliver, promised after a meeting with the port's trawler owners that the state would provide legal assistance in the case. The owners in question are charged with fishing in a prohibited zone, with refusing to obey French authorities and, in the case of the trawler that was shelled, with attempting to destroy a French naval vessel.

Sr Oliver also indicated that the victims might receive financial aid but said the Government could not compensate the owners for any fines that were imposed by France.



AT 3.30 THIS MORNING, GEORGIA CALLED SYDNEY ON THE TELEPHONE

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Ozal faces crucial test in Turkey's local polls

BY DAVID BARCHARD IN ANKARA

TURKEY's six major political parties yesterday opened the official 12-day campaign for local elections due on March 25.

The elections will be a crucial test of support for Mr Turgut Ozal, the prime minister, and his Motherland Party (MP). They could also spell the end of the road for the two political parties set up last year with the blessing of Turkey's military rulers, the Nationalist Democracy Party (NDP) of ex-General Turgut Sunalp and the Populist Party (PP) of Mr Necdet Calp.

Though no one is openly saying so—martial law would be sufficient to stop them—the local elections are a second major step back towards the civilianisation of Turkish politics.

Already the Social Democracy Party (Sodep) of Professor Erdal Inonu—a professor of atomic physics who was dragged reluctantly from academic life last summer to take over his late father's role of centre-left leader — has become Turkey's second largest party, according to the opinion polls.

Its policies are cautiously centre-leftist, standing well to the right of those of the Social Democratic former Prime Minister Mr Bulent Ecevit who is still engaged behind the scene in efforts to form his own party.

Opinion polls in Istanbul show Sodep as having about 27 per cent of the votes. This may seem well behind Mr Turgut Ozal and the MP with about 34 per cent. But if—as many expect—the Sodep picks up the votes of the Populist Party, Mr Ozal would be in trouble.

Already Sodep candidates are tipped to win the mayor's posts in Turkey's three largest cities, Ankara, Istanbul, and Izmir. A victory from Mr Ozal in any of these staunchly industrial areas would be a major feather in his cap.

The Prime Minister looks better placed to defeat the challenge from the Correct Way Party—which backs Mr Suleyman Demirel, ousted as premier in 1980. Mr Demirel's supporters are currently waiting in the wings, resigned to trailing Mr Ozal this time around. However, pro-Demirel feeling remains strong.

Poland forces removal of crucifixes from schools

BY CHRISTOPHER BOBINSKI IN WARSAW

POLAND'S government spokesman said yesterday crucifixes have to be removed from the state schools. The authorities are refusing to back down at Garwolin, 40 miles south-east of Warsaw, where pupils and local clergy have been protesting over the removal of crosses since last week.

Mr Jerzy Urban, the spokesman, however, sounded a cautious note on what is potentially an explosive issue when he said that school staff would have to be "tactful" about removing crosses elsewhere. The Government did not want e "crucifix war."

Work on a law recognising the church's legal status in Poland, an issue which the Church sets great store by and which the authorities are dragging their feet on would be set back further, Mr Urban implied, if the bishops adopted an intransigent stance on the question of the crucifixes.

Meanwhile, Mr Stanislaw Ciosek, the Wages and Labour Minister, has admitted that so far only two enterprises have redesigned their wage schemes in line with a new wages law aimed at providing higher pay for greater productivity introduced at the end of January.

The wages move is viewed with some trepidation by the government as it aims at increasing production norms and introducing greater wage differentials as incentives, a sure recipe for shop floor unrest.

Swedish public sector workers in pay deal

BY DAVID BROWN IN STOCKHOLM

THE UNION representing 600,000 of Sweden's public sector blue-collar employees, grouped within the LO trades union confederation, agreed a pay deal with local authority employers yesterday. It is the first in this year's crucial pay negotiations.

The deal involves pay increases totalling 8.8 per cent over two years: 5.4 per cent in 1984 and 3.4 per cent in 1985.

The agreement is below the 6 per cent limit the Government is seeking as part of its strategy to keep inflation to 4 per cent this year. The deal is expected to be followed shortly by agreements with the remaining 600,600 public sector workers outside the LO.

More difficult private sector negotiations lie ahead. The LO has demanded an average 7 per cent increase for its 2.2m members. That implies increases of up to 12 per cent, including pay rises from the previous wage round which have yet to be implemented and other new taxes and levies, says the employers' federation.

The metalworkers' union, an LO member, walked out of negotiations covering 45,000 steel industry workers on Monday night after employers failed to meet its 6.8 per cent pay demand. Crucial talks between Metall and the VF, the engineering employers, covering 210,000 private sector workers, are to start next Tuesday with the two sides even further apart.

Engineers rebut idea of 'German disease'

By Jonathan Carr in Frankfurt

WEST GERMANY'S mechanical engineers have hit back strongly at domestic critics who complain that the industry is now a "crisis branch" losing its international competitive edge.

The engineers stressed that suggestions that their branch was suffering from a "German disease" increasingly harmed their image and business abroad.

Dr Otto Schiele, president of the industry's association, the VDMA, said this was particularly true in the key growth markets of Japan, Indonesia, Thailand and Singapore.

"In the view of our Asian competitors we are almost carrying out a kind of self destruction, which they find incomprehensible," Dr Schiele said.

He pointed out that West Germany's mechanical engineers still had the second biggest share of world export markets (about 20 per cent), after the U.S. and before Japan.

Moreover, in 12 of 36 main engineering sectors, the Germans had export shares of between 30 and 47 per cent – making them market leaders in those areas.

In sectors where the Germans had to put up with second place, Dr Schiele said, the cause in almost every case was lack of competitiveness on price, not technology.

Dr Schiele is the latest of several industrial leaders in recent weeks to complain that German economic self-criticism – by politicians and the media – is going too far and becoming counter-productive.

One VDMA official noted that even the Technology Minister, Dr. Heinz Riesenhuber, had recently spoken about a lack of German competitiveness in machine tools – although this deficiency had long since been made good.

That said, the VDMA made clear that the sector was pulling out of recession only slowly and could at best expect a production increase of 3 per cent in real terms this year – after a cut of about 2 per cent in 1982. The biggest impetus came from exports, with foreign orders in January up by 17 per cent in real terms over a year earlier.

Mechanical engineering turnover in 1983 totalled DM 132.8bn ($51bn) a real fall of 1.2 per cent on the 1982 figure. Exports fell by a real 4 per cent to DM 73.6bn, a better result than feared thanks to particularly heavy demand from the U.S. and the Soviet Union.

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EUROPEAN NEWS

Guy de Jonquieres explains why West Germany is facing a vital challenge from high technology

Bonn chips away at an old industrial block

AUTHORITIES in Bonn were shaken recently by a distress call from a leading West German power engineering manufacturer competing for an important Third World contract. The company was about to be dropped from the bidding because the customer believed that German industry lacked the microelectronics know-how to supply the most up-to-date control systems.

Swift diplomacy re-assured the customer that its doubts were unfounded and restored the company's place in the bidding. But the warning was clear, Germany was gaining an unenviable reputation as a laggard in electronics innovation, and the fall-out was spreading even to its world-renowned capital goods exporters.

This realisation is now at the centre of an anxious public debate. If Germany is to secure its future economic prosperity, it is argued, it must somehow position an industrial structure heavily biased towards mechanical engineering to face up more decisively to the challenge of the chip. But whether it possesses the entrepreneurial flair, the willingness to accept new ideas and the social flexibility which many think will be needed are questions to which there are still no clear answers.

"There is now a general conviction in Government and industry that information technology is our highest priority," says a senior official in the federal Research and Technology Ministry. Unless decisive action is taken to strengthen West Germany's competitive position, he warns, "we may ultimately lose our ability to define our own economic policy and join the ranks of the world's unemployed."

Prodded by Herr Heinz Riesenhuber, the energetic Research Minister, the Bonn Government is expected to approve today a wide-ranging support package worth up to DM 3bn (£810m) over the next four years to stimulate the development of high-technology industries. Its proposals include DM 500m for a joint industrial research programme aimed at matching Japan's world leadership in microchip memory technology before the end of the decade and DM 800m for work on advanced computer systems.

It also envisages further support for the application of computer-aided engineering and microelectronics, a major review of telecommunications strategy, expanded training of electronics engineers, more effective use of public procurement and closer co-ordination between federal ministries, industry and universities.

The proposals are all the more striking because they stem from a conservative Government which professes distaste for intervention in industry. The risks are also high: officials concede that the planned thrust in memory technology could flop as badly as the Government's fruitless DM 4bn effort to develop a world-class national computer industry in the 1970s. But they argue that the risks of doing nothing and depending totally on U.S. and Japanese technology are even greater.

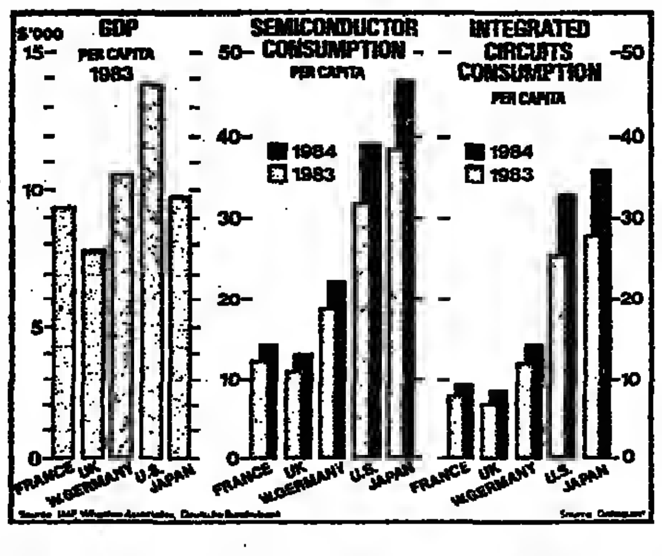
Germany is still Europe's largest semiconductor user, both in absolute terms and on a per capita basis, according to Dataquest, the U.S. market research firm. But in the past three years demand has grown much more slowly than in Britain and Scandinavia, and its share of the total European market has slipped from 32 per cent to 29 per cent.

Worldwide, Germany runs a distant third behind the U.S. and Japan, particularly in the use of microchips, the most sophisticated category of electronic components; both of the other two used more than twice as many per capita last year. Yet the three countries' GDP per capita is comparable: in Japan it was slightly lower than in Germany last year, while in the U.S. it was about 30 per cent higher.

> ❛ We may ultimately lose our ability to define our own economic policy and join the ranks of the world's unemployed ❜

Moreover, Germany's single largest semiconductor user is its troubled consumer electronics industry, most of which has fallen prey to foreign takeovers. It accounted for 30 per cent of total component purchases last year, according to Dataquest, and demand grew faster than for computers, telecommunications or industrial applications.

Apart from video, hi-fi and automotive electronics, the German attitude to novel applications of information technology often seems conservative. "People here look for ways to do more efficiently what they are already doing," says Dr Franz Arnold, managing director of *Scientific Controls*, a computer services firm owned by British Petroleum. "In the U.S. and Britain, they see technology as an opportunity to enter new types of business."



Ownership of personal computers is still relatively rare, and there are only two German-made models on sale. Office equipment manufacturers such as Olympia and Triumph-Adler prefer to stick to proven products like typewriters and self-contained small business computers rather than pioneer *advanced office information systems*.

Siemens, Germany's largest electrical and electronics company, has caught up fast in digital public telephone exchanges after a late start. But a recent report by management consultants Arthur D. Little accused it of a "hesitant" approach to integrating computer and communications technology for the business market. Though it sells a modern digital private exchange (PBX) in the U.S., Siemens still supplies only older, analogue, models at home.

Germany's electronics industry does not, however, lack basic technological resources. AEG and Siemens, in particular, are widely respected for high quality research. The latter spends DM 3.5bn a year and employs a staff of 30,000 on research and development—placing it among the world industry leaders.

Siemens is also one of the few European-owned companies making large-volume "standard" semiconductors, including the *most recent generation* of memory chips, known as 64K D-Rams, which can store more than 64,000 bits of data. It supplies them to IBM, a highly exacting customer, and has also licensed some of its chip designs to Intel, a leading Silicon Valley supplier.

Siemens has so far seen standard chip manufacturing mainly as a means to keep its process and production technology up to date. It has not sought to challenge U.S. and Japanese leadership of the world's chip markets, *launching new products up to* three years after its major competitors.

But it is now moving fast to catch up. It expects to start selling its next generation of memories, 256K D-Rams, next year, about a year later than the market leaders. By 1986 it aims to be among the first companies to announce a one-megabit memory, able to store more than 1m pieces of data. It is investing DM 500m in the project and has set itself the ambitious target of winning 10 per cent of the world market.

The key to the German electronics industry's future performance, however, is likely to lie in its ability to turn chips into products which people want to buy. Nixdorf, the only independent German computer company to have carved out a really profitable niche in a national market dominated by IBM, is frequently cited as setting a rare lead which more should follow.

Nixdorf, which recently decided to seek a stock exchange listing, is not regarded as a leader in product technology. But it has built up a DM 3bn a year turnover by getting to understand its customers' businesses and designing computer systems which closely match their needs.

Other large German companies, including AEG and Siemens, admit that they still take too long to bring laboratory ideas to the market. According to one independent management consultant, too much development time is spent striving for technical perfection. "That may work in mechanical engineering," he says, "but by the time you've got something 100 per cent right in electronics, it's out of date."

Siemens is trying to tackle this problem by breaking down long-standing bureaucratic barriers between its research, development and marketing staff. It also plans soon to merge its private telecommunications business with its computing division (which only recently moved out of loss) in an effort to attack office automation more effectively.

> ❛ Perfection may work in mechanical engineering, but by the time you've got it right in electronics, it's out of date ❜

But Siemens and AEG clearly feel that large systems projects, such as factory automation and process control, are a more natural market for them. "The growth of the office automation market will be much higher, but the competition will be much tougher," says Mr Hermann Franz, Siemens' head of marketing.

He concedes that smaller companies are able to respond faster to niches in volatile and highly competitive markets. But opinions are sharply divided over whether a crop of high-technology entrepreneurs will spring up to seize the opportunities which Siemens and other industrial giants miss.

Some claim that there is little appetite for risk in a modern Germany cossetted by affluence and generous social benefits. They also theorise that the country is bound by a rigid social and professional orthodoxy, which inhibits innovation of the kind which abounds in California's Silicon Valley or flows from Sir Clive Sinclair's UK drawing board.

Nonetheless, innovative small German companies do exist—though nobody seems too sure about their numbers. Examples often mentioned include Hagenuk, a successful supplier of telephone key systems, Fuba, which makes sophisticated transmission equipment for telecommunications and Computertechnik Mueller, set up by former managers from the Diehl computer group.

The Bonn Government has been encouraged, too, by the eager response to its support programmes for the application of technology. A DM 530m programme for computer-aided engineering and robotics, launched less than three months ago, has attracted 700 submissions. The funds, intended to last five years, will be fully committed by this summer. An earlier DM 300m microelectronics application programme was also a sell-out, and almost half the applicants were new companies founded after 1970.

Recently, however, venture capital funds have started to spring up. One has been set up by Citicorp and another, Techno Venture, is being formed by Siemens, Advent, the U.S. venture capital group, Deutsche Bank, the TRV investment group of Munich and a clutch of blue-chip German industrial companies.

Techno Venture aims to invest half its DM 100m initial capital in Germany and half abroad. But so far, it has committed considerably more in the U.S. than at home. "Germany will be a hard nut to crack. It will take a long time," admits Count Albrecht Matuschka of TRV, one of the founders.

He believes, however, that patience will be rewarded by a change in attitudes in the longer run. "Germany is like a schoolboy who is gifted with many talents but isn't making full use of them," he says. "The message we have to get across is that it is far less risky to invest in technology markets that are growing by 25 per cent a year than in traditional heavy industries such as Kloeckner, Arbed and British Steel."

Squeeze on drug profits gives Greeks a headache

BY ANDRIANA IERODIACONOU IN ATHENS

GREEK PHARMACEUTICALS importers say they will be forced to discontinue the supply of a large number of foreign-manufactured drugs, unless they are allowed to raise their prices.

A steep slide in the value of the drachma against the U.S. dollar has squeezed profits and five major drug companies have closed their Athens offices.

Mr Paul Giannacopoulos, president of the Federation of Pharmaceuticals Importers, expects to meet Mr George Gennimatas, the Health Minister, next week, to appeal for a relaxation of the government's pricing policy. If the appeal fails, he predicts the consequences for public health will be "grave."

Pharmacists in Athens describe the drug supply situation as "chaotic." They complain of a shortage of a large variety of imported drugs, including children's vaccines, cancer, heart and eye treatment products and vitamins. For many of the drugs there is no locally-manufactured substitute, or the Greek product is of poor quality, they say.

Foreign drug companies in Greece say the low prices are forcing them to withdraw these types of products from the Greek market, contributing to the shortages.

Exorbitant prices

The pharmaceuticals sector has been in dispute with the Socialist Government of Dr Andreas Papandreou since early last year. The Government then passed a Bill to set up a National Pharmaceuticals Organisation (NPO), which, in addition to regulating the market, is to be the major shareholder in a National Pharmaceuticals Industry (NPI), supplying drugs to state hospitals and the state health funds.

The Bill's aim was to protect consumers from what the Government saw as exorbitant prices charged by the private sector by "socialising" pharmaceuticals production. The Bill has caused Greece to fall foul of the European Community's competition rules and a case is pending in the European court.

The NPI is still at the blue-print stage, but the NPO is now functioning. Last August the organisation and the Health Ministry undertook a pharmaceuticals price revision.

Drugs companies who were asking for average price increases of 35 per cent were granted 20 per cent rises, of which a portion is to be used to finance the NPO. Average gross profit margins were estimated at 1 per cent for importers and distributors and 15 per cent for local manufacturers as a result.

Cut corners

In the case of importers, Mr Giannacopoulos argues that with a 25 per cent slide in the value of the Drachma against the dollar since August companies are now bringing many products into Greece at a loss.

Manufacturers say the price squeeze is forcing them to cut corners on quality hurting the consumers which the new policy was intended to protect. "We just can't produce the best quality medicines at present prices. The Government's policy is short sighted," said Mr Dimitris Marinopoulos, whose company FAMAR accounts for 23 per cent of pharmaceuticals made in Greece.

Manufacturers say Greek consumers' access to the most effective medicines would be reduced even further if the NPO goes ahead with the application of a 600-item draft national drug catalogue, which the Government hopes will cut unnecessary duplication.

The Government denies that its pricing policy is designed to place a deliberate squeeze on the private sector, in favour of setting up a state pharmaceuticals monopoly. Officials say the aim is not to drive private companies out of the Greek market but to protect consumers from excessively high drug prices.

So far, Merck Sharp and Dohme, Smith Kline and French, Behringer-Mannheim, Sterling Winthrop and Merck-Darmstadt have left Greece.

"My headquarters tells me you generate 0.5 per cent of sales and 50 per cent of the headaches. Sooner or later the question arises, why stay?" a representative of one foreign drug company said.

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Hong Kong 'politicians' seek a say on the future

BY ROBERT COTTRELL IN HONG KONG

HONG KONG'S Legislative Council will today address publicly the most sensitive unanswered question about the territory's future—how much say Hong Kong itself will have in the final shaping of any agreement between Britain and China about its future.

Britain and China have been discussing secretly since October 1982 what will happen when Britain's lease over most of Hong Kong expires in 1997. It is generally accepted that China will resume sovereignty over the whole of Hong Kong, and will promise an autonomous—though not independent—administration for the territory.

The Legislative Council (Legco) is made up of 18 "official" members, who are private-sector figures appointed by the Governor. The unofficials are typically bankers, lawyers, company directors and educationalists.

White the main function of Legco is to amend or approve new laws for Hong Kong, it is also the territory's highest forum for open debate. The 16-member Executive Council, which advises the Governor on policy, meets in secret.

Some Legco unofficials fear that Britain may not press China hard enough for an agreement which will safeguard Hong Kong's way of life—partly because Britain may not want to offend China, partly because both sides may want an end to the protracted negotiations.

The Legco debate may be conceived as a way of stimulating more British parliamentary interest in the terms of the approaching settlement. It may also be a signal to China not to underestimate concern in Hong Kong about the future, despite the territory's relative calm this year.

Today's motion reads: "This Council deems it essential that any proposals for the future of Hong Kong should be debated in this Council before any final agreement is reached."

Its proposer is Mr Roger Lobo, the Council's senior unofficial, who enjoys the support of all other unofficials. The motion will, therefore, probably be passed, but its value may be more symbolic than practical. Legco does not have the power to compel the British or Hong Kong Governments to breach the agreed confidentiality of the Sino-British negotiations. Nor does it enjoy a constitutional position which would permit it to veto any settlement.

Legally, the nearest Hong Kong could come to halting any Sino-British settlement would be if the Executive Council were to advise the Governor to register his opposition with the British Foreign Secretary.

Commentators sympathetic to Peking have attacked the Lobo motion calling it prejudicial to the Sino-British negotiations. Peking regards the Hong Kong issue as a strictly bipartisan matter with Britain. It fears that to concede a formal distinct voice to Hong Kong would be to tolerate separatism. It probably also fears that, given a choice, most Hong Kong people would opt for independence or even continued British rule, rather than reunification with China.

The Legislative Councillors also have critics who fear that irritating China could produce a repeat of the "jitters" which shook Hong Kong's stock and currency markets last year.

Today's debate, however restrained, will necessarily touch on some of the awkward questions which the British and Hong Kong Governments have so far sidestepped by insisting on the confidentiality of the negotiations.

Does Britain plan to reach an agreement secretly with China, and only then publish its terms for ratification? Britain probably does, fearing that to "go public" before reaching an agreement would risk China's angry withdrawal from negotiations.

Yet at the same time, Britain can scarcely afford any impression of "dealing" if it hopes to maintain the territory's support and trust during its final 13 years as Hong Kong's governing power.

A more important question which Britain has yet to answer is how it plans to test its pledge that any settlement with China must be "acceptable" to the people of Hong Kong. Should Legco's unofficials speak on behalf of the people? Britain seems to think not. It may even be convenient that the unofficials' standing as appointees is now to be offset by movements towards increased democratic participation in the Government.

If Britain provides a formal, public means for Hong Kong to "accept" a settlement, such as a referendum, it will also be providing the means for a refusal, which China would not tolerate. Tomorrow's Legco debate sees the cracks in the British position starting to appear.

Jordanian vote boosts Islam fundamentalists

BY RAMI G. KHOURI IN AMMAN

THE FIRST elections in Jordan for 17 years to fill eight vacant seats in the National Assembly produced few clear voting patterns but did bring success for candidates representing Islamic fundamentalism and the Ba'ath Party, rival wings of which rule in both Iraq and Syria.

The hotly-contested elections, which saw 102 candidates fighting for the eight seats, generated considerable public interest during the two-month campaign period.

The election for the one seat from Amman, contested by 38 candidates, was won by Leith Eshbeilat, the politically ambitious former head of the engineers' association.

The seat from the northern Irbid district was won by Dr Ahmad Kohafi, and the south Jordan Tafileh seat was one by Dr Abdullah Akaylah. Both men are identified with conservative Islamic sentiments.

The three seats from the Balqaa district were won by established local tribal and family representatives, while the two winners in the southern Kerak district were doctors with Baathist sentiments.

Japan House approves £155bn budget

TOKYO — The Japanese House of Representatives has approved the Government's Y50,600bn (£155bn) budget for the 1984-85 year starting April 1 and sent it to the House of Councillors for final parliamentary endorsement.

The new budget is only 0.5 per cent larger than original 1983-84 spending and is the lowest year-on-year rise for 29 years.

It calls for flotation of new national bond issues of Y12,680bn accounting for 25 per cent of planned total revenue.

Gandhi in storm over protégé

BY K. K. SHARMA IN NEW DELHI

INDIA'S Prime Minister, Mrs Indira Gandhi, faced a major challenge from her political opponents yesterday, when they created a fierce storm in both Houses of the Indian Parliament over moves which they feared could have afforded protection to one of her protégés now on trial in Bombay on charges of illegally raising several million pounds.

The protégé is Mr A. R. Antulay, a former Chief Minister of the industrial state of Maharashtra in South-West India. He resigned two years ago following allegations that he had raised the funds for trusts from industrialists in return for favours to them.

Mr Antulay has been trying to avoid a trial since then but his efforts failed recently when the Supreme Court ordered the Bombay High Court speedily to hold hearings, after rejecting the finding that legislators were immune from proceedings based on private complaints.

The attack on Mrs Gandhi came after it became known that she had asked the present Congress (I) Chief Minister of Maharashtra to amend the Prevention of Corruption Act to provide protection to members of the legislature from private complaints.

This has angered all opposition parties which have seized the opportunity to embarrass Mrs Gandhi. They had considerable success because, after a day of hectic political activity and uproar in both Houses of Parliament, it was hastily announced that the Act is not to be amended after all.

Mrs Gandhi will find it difficult to defend the instructions she is believed to have given to the present Chief Minister of Maharashtra, and observers think that the issue could be used against her in an election year. Her son, Mr Rajiv Gandhi, has since announced that the instructions were misunderstood.

Unexpected fall in U.S. retail sale figures

By Stewart Fleming in Washington

THE MONTHLY retail sales figures for the U.S. economy dropped 0.2 per cent in February to a seasonally-adjusted $106bn. Many economists had been expecting continued strong gains following those in employment last month.

However, analysts were yesterday pointing out that recent monthly retail sales figures have been revised upward significantly, raising questions about the validity of the seasonal adjustment. In addition, the trend over a three to six month period shows a sustained upswing in retail spending.

Consumer spending accounts for about two-thirds of gross national product. Because of the importance of retail sales to the overall performance of the economy, the monthly figures are followed closely. For example, when the Commerce Department announced a meagre 0.1 per cent December rise, many economists quickly concluded that this was evidence of a slowdown in the economy which many were expecting. Yesterday, the Commerce Department revised the December figure up to 0.7 per cent, and the January figure was revised upward to a 3.3 per cent gain from the 2.2 per cent increase initially reported.

The February decline was entirely accounted for by weakness in non-durable goods. Car sales rose 0.7 per cent, so there are unlikely to be major revisions of the forecasts for real growth in the first quarter. These currently range around the 6 per cent level.

● Federal Reserve Board Vice-chairman Preston Martin said investment in the U.S. economy, especially in the longer term, is seriously jeopardised by high federal budget deficits and the prospect they will remain high, Agencies add.

In a speech to the American Paper Institute, Mr Martin said Federal Government borrowing needs, in colliding with rising private credit demands, have kept real U.S. interest rates much higher than in previous post-war recoveries.

He also said the U.S. trade deficit of about $65bn in 1983 and about $100bn this year creates the potential for added market instability.

Anti-trust chief backed on steel ban

By Our Washington Correspondent

THE U.S. Attorney General, Mr William French Smith has moved strongly to defend the head of the Justice Department's anti-trust division from mounting criticism within the Reagan administration over his decision to try and block the proposed steel merger between LTV and Republic Steel.

Mr Smith, who is soon to resign from the Justice Department and will probably be replaced by Mr Ed Meese, a confidant of President Reagan, has issued a strongly worded statement saying "law enforcement decisions in the Department of Justice in anti-trust or any other area will be made in the future as they have in the past on the basis of the facts and the law without regard to how popular they may be inside or outside the government."

Mr Smith's remarks follow a series of attacks on Mr McGrath, and implicitly on the independence of the anti-trust division. These culminated during the weekend when Mr Malcolm Baldridge, the Commerce Department Secretary, criticised the decision on LTV and Republic, saying among other things that it was "a world class mistake."

Navy to patrol off Central America

The U.S. is to resume cruises by naval units off Central America, Defence Department officials have said, AP reports from Washington.

The aircraft carrier America and three other ships forming a battle group will leave the Virgin Islands this week to operate in international waters off Central America in a new signal to Nicaragua not to meddle in the El Salvador elections later this month, said the officials.

Meanwhile, sources said unarmed U.S. army reconnaissance planes have been flying out of Honduras into El Salvador's air space to look for concentrations of left-wing guerrilla troops that might attempt to disrupt the elections.

Concern over Manila debt

By Chris Sherwell and Emilia Tagaza in Manila

WESTERN BANKERS are increasingly concerned at the failure of President Ferdinand Marcos's Government to start implementing a series of economic austerity measures to combat the country's $25bn (£17.8bn) debt crisis.

Enforcement of the measures, which would include a further devaluation of the peso, tight control of domestic credit and higher taxes to mobilise internal resources, is a condition for approval of a $3.95bn IMF-based credit package which has been under negotiation for more than six months.

The Government feels the measures could hurt its standing ahead of the May 14 parliamentary elections which have taken on added significance after the August assassination of opposition leader Benigno Aquino.

Funds from the package are now not likely to be released before the autumn, following Manila's expected signing of a Letter of Intent and IMF board approval by July.

This means the 90-day moratorium on debt principal repayment, first announced last October, will be extended for another three months to July 14.

Confirming this second extension yesterday the Government also stated that $150m in arrears on interest repayment would be released shortly.

Bankers say the Government's delay in taking tough measures could make the economic crunch even worse when the moment of truth comes after the elections.

The plan requires the banks to lend $1.65bn of new money to the Government, with another $1.65bn from multilateral agencies and foreign governments. Release of this money is contingent upon an accord with the IMF over a standby credit of $615m special drawing rights (£369m).

It is understood that the Government and the IMF may have reached a broad understanding on the goals of the rescue plan but not on the manner and timing of its implementation.

MX deadline 'boosts costs'

By Reginald Dale, U.S. Editor, in Washington

THE U.S. will deploy its first MX intercontinental missiles without knowing if they work properly, according to a congressional report that is expected to be published soon. The reason, the report says, is the unreasonably short deadline for deployment, set by both Congress and the U.S. Air Force, at the end of 1986.

The report, extracts of which were published in the Washington Post yesterday, says the deadline means that costs will be higher than necessary and there will be "high development risks." Even while incurring these risks, however, the Air Force is almost certain to miss the deadline

Iraq seeks support at Arab League meeting

BY OUR MIDDLE EAST STAFF

IRAQ is hoping for a "clear and frank condemnation of Iranian aggression" during the meeting of Arab foreign ministers which opens today. The meeting, which was due to begin last night, was delayed because of the late arrival of ministers.

Arab diplomats said yesterday they believed Iraq was seeking the widest possible support for action it was planning in the Gulf war, and was trying to counteract hostile publicity over the alleged use of chemical weapons.

Mr Tariq Aziz, Iraqi Foreign Minister, said the meeting had been called not only to condemn Iran's aggression "but to express solidarity with Iraq." He said Iran's offensives were directed against "the whole Arab homeland."

Iraq expects 19 of the 22 Arab League members to be present at the meeting, although probably many countries will send senior officials instead of foreign ministers.

Senior Iraqi commanders are anticipating large-scale Iranian offensives during the next few weeks. But they hope the regime in Tehran will be reconsidering its strategy after recent heavy casualties in the southern sector of the battlefront and the successful attacks on shipping at the northern end of the Gulf.

Iran has stated recently, however, that the time for negotiation has passed and the war will have to be settled on the battlefield.

Fighting continued this week around the Iraqi oilfield of Majnoon, north-east of Basra. Several Iraqi attempts to retake Majnoon have failed with both sides suffering heavy casualties.

Iraq now claims that more than 60,000 Iranians have been killed during the past three weeks.

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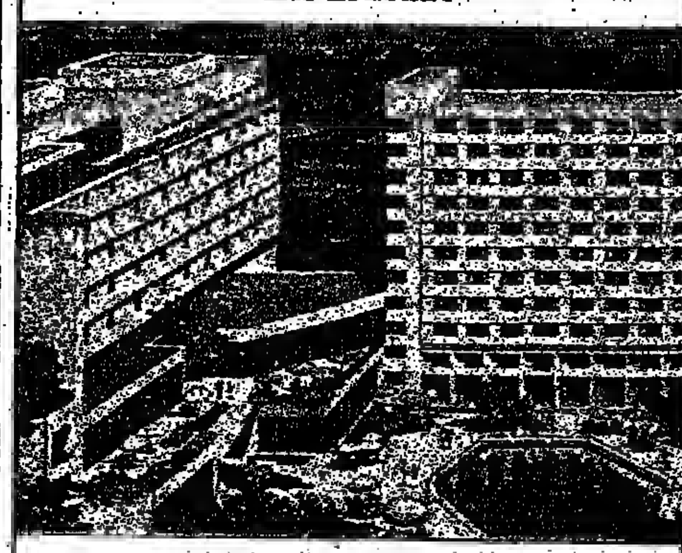

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مكتبة الأصل

day March 14 1984

WORLD TRADE NEWS

EEC plans tougher stance on cereal substitute imports

BY PAUL CHEESERIGHT IN BRUSSELS

THE EEC plans to withdraw *tariff concessions* on cereal substitutes, largely imported from the U.S., but only as part of an overall scheme to reform the Common Agricultural Policy.

Officials have been told to draw up a negotiating mandate for the European Commission so that it can open proceedings in Geneva under Article 28 of the General Agreement on Tariffs and Trade (Gatt).

Under this article, an importing nation can change its tariff levels although it has to offer compensation to supplying countries.

Foreign Ministers of the EEC, meeting in Brussels yesterday, raised no objection in principle to the idea of a tariff renegotiation, but were divided on the timing of starting the Gatt procedure and on the conditions of any renegotiation.

The main product involved is corn gluten feed, imports of which from the U.S. doubled over 1981-83. They were worth $500m in 1983.

France and the Commission are the strongest advocates of raising tariffs to stabilise imports. West Germany, the UK, the Netherlands and Denmark yesterday would accept import stabilisation only as part of an agricultural reform package.

The UK links stabilisation not only to agricultural reform but to reform of the EEC's cereals regime specifically. France, on the other hand, turns the linkage round to the argument of no agricultural reform without corn gluten import stabilisation.

The countries approaching the issue most cautiously following the West German line that tariff concessions should be withdrawn only for a limited period.

Further, they argued that the year on which future import levels should be based ought to be 1983: the higher the level of imports permitted the lower the level of compensation which will have to be offered.

Canada-EEC row goes to Gatt panel

GENEVA — The EEC yesterday agreed to the creation of an arbitration panel to consider Canada's complaint that EEC newsprint import restrictions violate the General Agreement on Tariffs and Trade (Gatt).

Canada, which claims the restrictions are harming Canadian newsprint exports, requested the panel at a meeting of the 90-nation Gatt council.

The dispute involves a decision by the EEC to reduce its quota for duty-free newsprint imports from Canada to 500,000 tonnes this year, a Gatt official said. The previous quota had been 1.5m tonnes.

Canada asked for the panel after bilateral talks with the EEC failed to resolve the matter.

● The Gatt Council meeting yesterday heard criticism of an IMF report saying that exchange rate fluctuations do not harm the volume of world trade.

"A lot of countries expressed some scepticism about its findings," a Gatt official said. "Scepticism, I suppose, was the main reaction. In some cases it could be described as incredulity."

AP-DJ

International trade code gains support

BY MICHAEL ROWE

THE U.S. may shortly ratify a 1980 convention laying down a uniform law for international sales. A Senate sub-committee hearing is scheduled for April 4.

Comecon countries are showing serious interest—Hungary has ratified already—and EEC officials favour adoption by member states as a means of providing a standard code for sales within the Community. Besides Hungary, France, Lesotho, Egypt, Syria and Argentina have also ratified.

The convention, drafted by the UN Commission on International Trade Law, (Uncitral), aims to replace differing national laws with a single uniform code in cases where buyer and seller are traders in different countries. It swings into force in ratifying states one year after the first 10 acceptances. Mr Kazuaki Sono, Uncitral's executive secretary, thinks this could happen sometime in 1985. Acceptance by the U.S. would accelerate the process, he reckons.

In Britain, opinion is divided. The Government has yet to take a final decision, and the Department of Trade and Industry, which is following the measure, is waiting to see which way major countries jump.

President Ronald Reagan asked the U.S. Senate to advise and consent to ratification last September. A 60-strong committee of top American business and academic lawyers is pushing hard to get the measure accepted.

"The convention is a well thought-out modern sales law, responsive to the needs of commerce," claims Mr Peter Kaskell, chairman of the lawyers' committee for the convention on contracts for the international sale of goods. He reckons it could save lengthy haggling between contract parties over choice of law, and says he has detected little opposition to acceptance in the U.S.

The Confederation of British Industry (CBI) and the English Law Society both came out against ratification in 1981. They dislike the fact that the convention applies automatically unless traders contract out, and would have preferred a "contracting in" provision. The Law Society fears a loss of arbitration business for Britain if the UK ratifies. Many international commercial disputes are currently arbitrated in London because the contracts refer to domestic English law, the society argues.

The Association of British Chambers of Commerce and the CBI's smaller firms' council both favour adoption, however. "Our major trading partners will ratify this code whether we do or not. We should avoid an appearance of Little Englandism," commented the association in one memorandum to member chambers. The CBI's ultimate negative recommendation was based on the findings of a working party of company lawyers.

The measure's 101 articles are the result of vigorous horse trading between north and south and between countries with different ideas on law and economics.

Buyers and sellers are hardly likely to use the convention as a pocket reference book. Yet it deals with many of the basic procedures traders need to know.

Does a contract have to meet any special formal requirements? The convention says it doesn't. A telephone conversation, an exchange of telexes, a handshake at the trade fair—any of these could be enough to bind both parties.

The Soviet Union, though, is likely to take advantage of an escape clause which permits ratifying states to insist that contracts with parties on their territory be in writing. Russian foreign trade is carried out through state trading corporations that like to dot "i's" and cross "t's."

The nub of an export sale is delivery of the goods. This may take place at any point between the seller's premises in one country and the buyer's in another. Risk of loss and damage customarily passes from seller to buyer at the same moment.

The convention's provisions on this subject are relatively brief. The basic provision is that if a contract of sale involves the carriage of goods, the seller must hand the goods over to the first carrier. In other cases, the goods have to be handed over at the seller's premises or the place of manufacture. "To avoid uncertainty traders should refer specifically to a detailed trade term, one of the Incoterms offered by the International Chamber of Commerce, for instance," comments Dutch trade law expert Dr Hans de Vries.

A preamble to the convention refers to the new international economic order, and the development of international trade on the basis of equality and mutual benefit. The measure's 101 articles are the result of vigorous horse trading between north and south as well as between countries with different ideas on law and economics.

For example, the risk in goods sold afloat traditionally passes from seller to buyer with retrospective effect from the start of the voyage. Third World countries were unhappy with this situation because it often resulted in their buyers having to take over the goods insurance issued at the start of the transport operation in the seller's country. The convention provides that the risk in such cases normally passes at the later date of the sales contract. This gives developing country buyers more scope to effect insurance in their own states.

This, and the other provisions of the convention can be contracted out of. They merely provide a starting point for negotiations.

Michael Rowe is a solicitor with the International Chamber of Commerce, the Paris-based trade organisation.

Tunisia seen as base for manufacture

By Michael Field

U.S. COMPANIES are showing increasing interest in using Tunisia as an industrial base and manufacturing platform for their sales operations in the Middle East and Africa. Seven or eight companies are likely to start investing in the country shortly.

Most foreign industrial investors in Tunisia have previously manufactured either for the local market and small-scale regional exports, or exclusively for re-import into their home countries. Most of the 300 re-importers are French and German companies, making clothes and simple electronic parts.

The only U.S. manufacturers with operations in the country are General Motors, which produces Opel and Isuzu cars, and Standard Brands, the food company, which at present is gearing up production to cater for the 1984 season of Ramadan feasts in Saudi Arabia.

The new American interest follows a recent two-week study meeting known as Project Entrepot, which was organised by the U.S. Government's trade and development programme, Stusid, a Saudi-financed investment company, and a Washington consultancy firm.

Much of the loan capital and part of the equity for the projects will be provided by the new Tunisian-Arab oil state development banks in Tunis. These include Stusid, and four other banks involving the governments of Kuwait, Abu Dhabi, Qatar and Algeria.

Companies will receive the standard exemptions from corporation taxes and will be refunded import duties on materials used in making products that are later exported.

Most of the companies involved in the study project are relatively small concerns *making new technology products*. Likely investors include: Peabody Galion (car components), Reliance Elevator (elevator parts), Electronics Industrial Corporation (telephone and switchboard machinery), SPC International (waste water treatment equipment), Chemfix International (equipment making soil conditioner from sewage) and Checkpoint Laboratories (medical analysis).

Italsider wins Soviet pipe order

By Alan Friedman in Milan

ITALSIDER, the steel company owned by Italy's IRI state holding group, has won a $160m contract to supply the Soviet Union with 407,000 tonnes of pipes and related materials. The order, scheduled for completion by November, is believed to be for the Soviet Union's oil and gas pipeline projects.

Last week Italsider dispatched the first ships from Taranto, carrying initial shipments of the pipes. By the end of this month some 60,000 tonnes of the 1,420mm pipes are expected to reach the Soviet Union.

Meanwhile, Milan's Engiteo Engineering group has won a $4m contract from the Ecuadorean Government to conduct a feasibility study on a series of five possible oil pipelines. Engiteo, a subsidiary of the U.S. Worthington pumps, compressors and turbines group, is to complete the study by the autumn with a view to competing for a longer contract for 250 km of pipeline work. The contract was awarded by Ecuador's state energy corporation.

● Vetroresine, a maker of reinforced resin pipes and containers, has received a contract from Bulgaria to provide machinery, processing technology, engineering and training for a resin pipe and container plant, AP-DJ reports from Udine.

West Germany doubles sales to Argentina

By John Davies in Frankfurt

SALES TO Argentina helped to buoy up West German exports to Latin America last year.

Exports to Argentina more than doubled to DM 3bn (£793m), while sales to its other main partners in the region fell—with exports to Brazil down 28 per cent, Mexico down 46 per cent and Venezuela down 54 per cent.

The Economics Ministry in Bonn said that the increase in sales to Argentina was due to "special factors such as the delivery of maritime vessels."

West Germany's total exports to Latin America fell 9.3 per cent to DM 9.9bn, as the region reduced purchases abroad in the wake of debt problems. But in view of the Argentine sales, the setback was much less than the 30 per cent drop in Latin America's total purchases abroad.

Japan may commit $1.3bn to manned space station

BY JUREK MARTIN, FAR EAST EDITOR, IN TOKYO

JAPAN IS understood to be giving serious consideration to committing as much as Y300bn (about $1.3bn) to help build the manned space station proposed by the U.S. over the next decade.

If it does so—and some indication could be available by this autumn—Japan will have met the U.S. suggestions for contributions to the programme from interested industrialised countries.

Mr James Beggs, chief of the National Aeronautics and Space Administration (Nasa) stressed yesterday that the U.S. was making no specific financial requests of other governments at this stage.

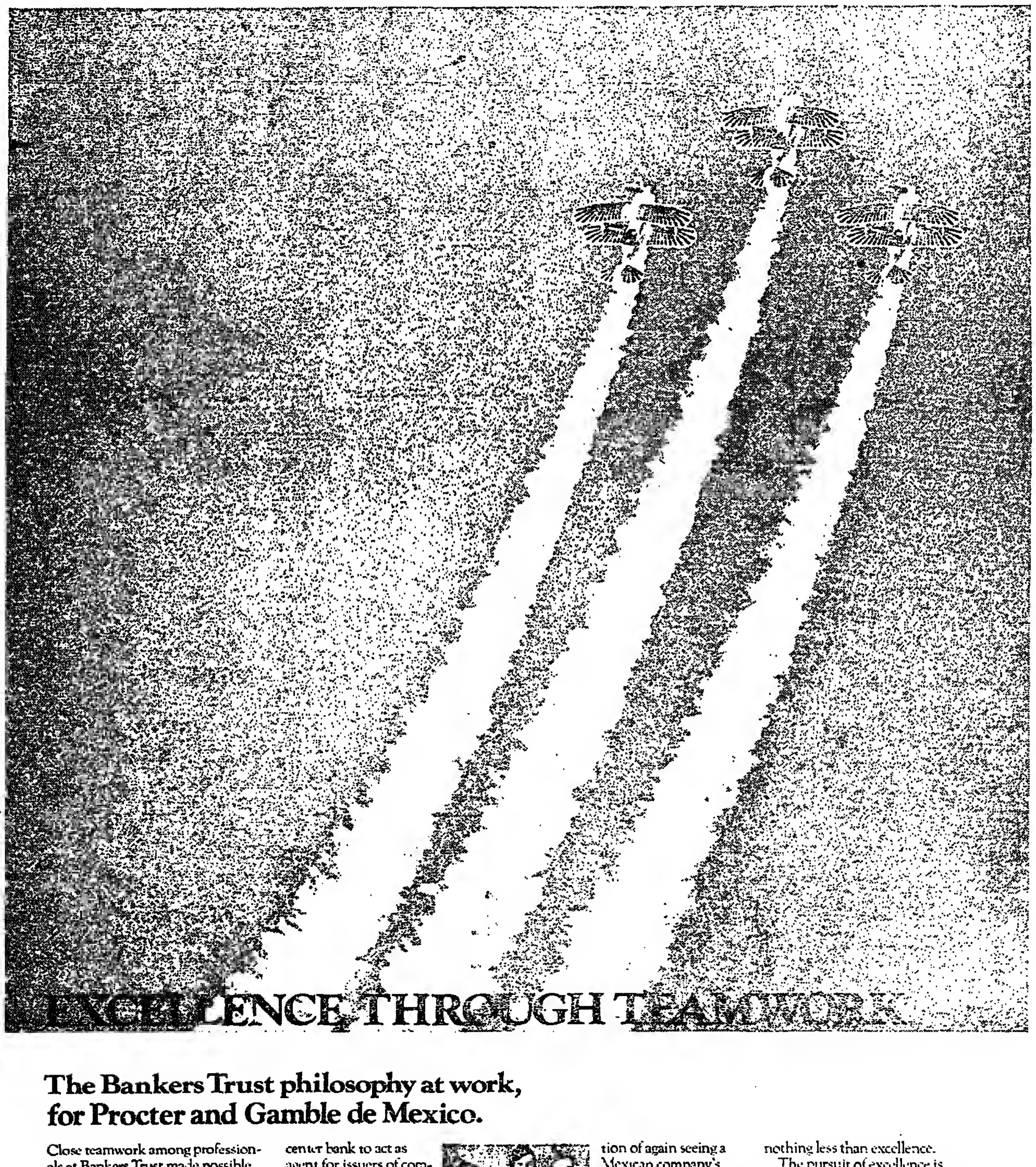
But, at the end of a 10-day tour of Europe and Japan, and with a visit to Canada next week, he confirmed that the U.S. had "suggested" that an appropriate Japanese contribution would be 10-15 per cent of the $8bn the U.S. is earmarking for the programme—which would be, he said, between $750m and $1.25bn.

But Mr Beggs did say that though the form of any international collaboration had yet to be determined, access to the space station by participating countries would be "presumably proportionate to the national investment."

He said his mission had received "a positive response everywhere we've gone," but, apparently sensitive to the implication that U.S. control over the project would be all but absolute, added that "we are not asking for a donation to the Nasa programme; if no one desires to invest with us, we will do it alone."

Mr Beggs also brushed aside the proposition that international budgetary deficit problems and, in Japan's case, its own rocket development programme might deter a major financial commitment. "You have to invest in the future," he argued, "otherwise you sacrifice the future."

Mr Beggs also waxed enthusiastically about the technological spin-offs of space research and development, an argument which is known to appeal to the Japanese, perhaps more than outweighing concerns, expressed in Europe, about the potential military applications of the space station.



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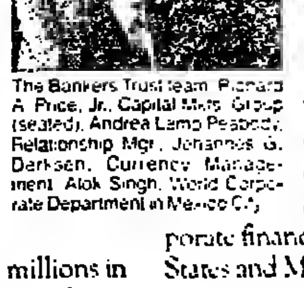

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Provisional Annual Financial Statements and Declaration of Dividend

The following are unaudited abridged consolidated financial statements for the year ended 31st December 1983 together with comparative figures for the year ended 31st December 1982.

CONSOLIDATED INCOME STATEMENT

	1983 R millions	1982 R millions
Diamond account	430.2	287.5
Investment income	161.7	149.0
Other interest	66.7	49.5
Share of retained profits after tax of associated companies	226.8	240.0
Net surplus on realisation of investments	7.5	10.8
Surplus on realisation of fixed assets	—	1.0
	892.9	737.8
Deduct:		
Prospecting and research	56.5	59.0
General charges	9.2	15.7
Interest payable	73.2	94.8
Amount written off fixed assets and loans	1.7	2.2
	140.6	171.7
Profit before tax	752.3	566.1
Deduct:		
Tax	157.0	89.0
State's share of profit under mining leases	8.4	—
	165.4	89.0
Profit after tax	586.9	477.1
Deduct:		
Profit attributable to outside shareholders in subsidiaries	54.9	32.8
Dividends on preference shares	1.8	1.8
	56.7	34.6
Net profit attributable to deferred shareholders before extraordinary items	530.2	442.5
Add:		
Share of extraordinary profits of associated companies	5.7	(14.9)
	535.9	427.6
Deduct:		
Transfers to reserves including share of retained profits of associated companies	375.7	254.7
Deferred Dividends — 40 cents per share (1982: 37.5 cents)	143.9	134.9
	519.6	389.6
Increase in unappropriated profit	16.3	38.0
Earnings per deferred share before extraordinary items—cents:		
—excluding share of retained profits of associates	84.3	56.3
—including share of retained profits of associates	147.4	123.0

CONSOLIDATED BALANCE SHEET

	1983 R millions	1982 R millions
Issued share capital:		
Preference shares	4.0	4.0
Second preference shares	2.8	2.8
Deferred shares	18.0	18.0
	24.8	24.8
Non-distributable reserves	1 259.8	1 019.3
Distributable reserves	3 258.7	2 886.8
	4 543.3	3 930.9
Outside shareholders' interests in subsidiary companies	218.3	220.5
Long-term liabilities (Note 1)	21.3	53.2
	4 782.9	4 204.6
Fixed assets:		
Claims, mining interests and property	175.4	172.5
Plant, permanent works and buildings	25.6	26.2
Unlisted trade investments	348.6	321.9
	549.6	520.7
Stores and materials	59.4	64.3
Diamond stocks (Note 2)	2 253.9	1 832.3
Listed investments	1 883.0	1 612.7
(Market value R2 966.1 million 1982: R3 059.9 million)		
Unlisted investments	156.0	129.3
(Directors' valuation R217.0 million—1982: R223.8 million)		
Long-term loans	94.4	96.8
Loan portion of tax	76.4	112.2
Deferred tax and State's share of profit	8.5	8.6
Cash	187.0	127.8
Other current assets	867.1	651.5
	1 054.1	779.3
Less:		
Current liabilities:		
Tax	51.4	20.2
Dividends	99.8	90.9
Creditors	1 201.2	840.4
	1 352.4	951.5
Net current liabilities (Note 1)	(298.3)	(172.2)
	4 782.9	4 204.6

Notes:

1. **Group borrowings.**
   The net increase in long-term and net current liabilities over tha year was R94.2 million.
2. **Diamond stocks.**
   Diamond stocks increased hy R421.6 million of which R198.2 million is attribntable to an increase in stocks and R223.4 million to the change in the Rand/Dollar exchange rate as applied to the opening stock.

Diamond market

The strength in tha retail markets in 1983 was reflected in strong demand from the CSO for cheap, small rough diamonds, and increasing interest in some of the more expensive categories. Demand for the top qualities, however, remained restricted.

Retail sales of diamond jewellery reached record levels in value and carat terms, with particularly buoyant Christmas sales in the United States, and with the retail trade in general optimistic about tha 1984 sales prospects, the CSO is anticipating a continuation of the improving sales trend.

Declaration of dividend on No. 128 on the deferred shares.

On 13th March 1984 dividend No. 128 of 27.5 cents per share (1982: 25 cents) being the final dividend for the year ended 31st December 1983, was declared payable to the holders of deferred shares registered in the books of the Company at the close of business on 30th March 1984, and to persons presenting coupon No. 72 detached from deferred shara warrants to bearer. This dividend, together with the interim dividend of 12.5 cents per share declared on 23rd August 1983, makes a total of 40 cents per share for the year (1982: 37.5 cents). A notice regarding payment of dividends on coupon No. 72 detached from share warrants to bearer, will be published in the press by the London Secretaries of tha Company on or about 23rd March 1984.

The deferred share transfer registers and registers of members will be closed from 31st March 1984 to 13th April 1984, both days inclusive, and warrants will be posted from the Johannesburg and United Kingdom transfer offices on or about 3rd May 1984. Registered shareholders paid from the United Kingdom will receive the United Kingdom currency equivalent on 2nd April 1984 of the rand value of their dividends (less appropriate taxes). Any such shareholders may, however, elect to be paid in South African currency, provided that the request is received at the Company's transfer offices in Johannesburg or the United Kingdom on or before 30th March 1984.

The effective rate of non-resident shareholders' tax is 11.001 per cent.

The dividend is payable subject to conditions which can be inspected at the head office and London office of the Company and also at the Company's transfer offices in Johannesburg and the United Kingdom.

For and on behalf of the board
H. F. OPPENHEIMER }
J. OGILVIE THOMPSON } Directors
14th March 1984

Copies of this report will be posted to registered shareholders.

Head Office: 36 Stockdale Street, Kimberley, South Africa.
London Secretaries: Anglo American Corporation of South Africa Limited, 40 Holborn Viaduct, London EC1P 1AJ.
Transfer Secretaries: Consolidated Share Registrars Limited, 40 Commissioner Street, Johannesburg, (P.O. Box 61051, Marshalltown, 2107)
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Incorporated in the Republic of South Africa

UK NEWS

Industrial output improves

INDUSTRIAL output rose by 1 per cent over December and January, according to the latest estimate from the Central Statistical Office.

Total output of the production industries in the three months to January was about 1½ per cent above its average level in the preceding three months. Output from the manufacturing sector, however, rose by only 1 per cent.

The improvement in output in January followed a fairly sharp rise in December – after a period of rather sluggish growth during the earlier part of the year. Some increase in industrial output had been widely predicted as a response to the huoyant state of consumer demand last year.

Although much of the increase in consumer demand was satisfied by imports – the volume of non-oil imports rose by 7 per cent last year – recent surveys of manufacturing industry by the Confederation of British Industry have strongly suggested that domestic demand is picking up.

The January figure for total output is, however, still 5 per cent below its last peak in 1979.

● **NORTHERN** Engineering Industries (NEI) bought the business and most of the assets of Hymac, the Welsh excavator maker, from the receivers yesterday at its second attempt. It intends to transfer the business to Wolverhampton in the Midlands.

Hymac went into receivership last November after the collapse of IBH Holdings, its West German parent. Daewoo, the South Korean industrial group, withdrew a bid for Hymac last Friday.

● **BRITISH AIRWAYS** is to speed up flight times between the UK and Australia from March 25 by re-routing some flights and re-arranging stops.

● **THE PANEL** on Takeovers and Mergers acted yesterday to tighten the guidelines for statements made during the course of a bid which, "while not factually inaccurate, may mislead shareholders and the market or may create uncertainty."

The regulatory authorities are understood to have been concerned in the past to clarify the intentions of one or more parties in competing three-cornered bids. Its guidelines emphasise that "an offeror should not make a statement to the effect that it may improve its offer without committing itself to doing so and specifying the improvement."

● **BRITAIN'S** black population is becoming increasingly involved in politics, according to a report by the Commission for Racial Equality. It said ethnic minorities were likely to have a growing impact on the outcome of elections in constituencies where they were concentrated.

The report found that more than 80 per cent of black voters in 25 sample constituencies supported the Labour Party at the general election in 1983.

● **COMPANIES** are increasing executive salaries by an average of 7 to 9 per cent, with some individuals in expanding industries like electronics, microchips and computers receiving increases of np to 25 per cent.

This emerges from a survey of managerial increases in 40 companies by Income Data Services, a pay research company. Most of the salary increases took effect from January 1.

Building societies' £954m receipts at near-record levels

BY ANDREW TAYLOR

BUILDING societies – non-profit making savings institutions which lend money for house purchases – announced yesterday that savings receipts remained at nearly record levels last month with a net total of £954m.

It is the second highest monthly total achieved by building societies. Monthly net receipts have not fallen below £870m since record receipts of £987m were recorded last October. In January net receipts were £926m.

The large inflow of funds makes a cut in lending rates almost inevitable when members of the Building Societies Association meet on Friday. The scope for the societies to reduce rates will be increased if the clearing hanks, as expected, cut their base rates in the next few days.

Society chiefs are likely to announce a reduction in mortgage (house loan) rates of between ½ and ¾ of a percentage point. The societies have not moved their base rates since last June, when they announced a 1.25 percentage point increase to 11.25 per cent for mortgage borrowers and a 1 percentage point increase to 7.25 per cent for savers with ordinary investment accounts.

Since June, the clearing banks have cut their base rates from 9.5 per cent to 9 per cent and in the case of Barclays to 8.75 per cent.

Societies, however, have been reluctant to reduce lending rates because they say most of the money they have been attracting has been going into higher interest accounts.

Plans to cut rates on Friday may be accompanied by moves to reduce the differentials between rates paid on ordinary share accounts and those paid on extra interest accounts.

The liquid reserves of societies, after allowing for seasonal variations, are running at their highest level since the end of 1982. Societies have warned that they may reduce their liquidity ratios over the next few months after changes in tax regulations which make the holding of government stocks less attractive. Moves to reduce liquidity should release further funds for mortgage lending.

Trident cost rises by £1.7bn

By Kevin Brown

ESTIMATED costs of the Trident nuclear submarine and missile programme have risen from £7bn to £8.7bn Mr Michael Heseltine, Defence Secretary, said in the House of Commons yesterday.

The new estimate assumes an exchange rate of $1.55 to the pound, compared with the rate of $1.78 used in the original estimate in September, 1981.

It includes a saving of £500m because of an earlier decision to refurbish the missiles in the U.S. rather than the UK. It is still less than unofficial estimates of more than £10bn, however.

Mr Denzil Davies, Labour spokesman on defence, said the latest estimate was "totally optimistic." Almost half of the costs were out of the Government's control, on the foreign exchange markets and in the hands of U.S. arms manufacturers, he said.

Mr John Wilkinson (Conservative) said the greatest cost of Trident would come after 1985-86 when the Government's commitment to raise defence spending by 3 per cent a year expired.

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Net interest Paid	1,531	1,554
Profit on Ordinary Activities before taxation	886	874
Profit after all charges, taxation and extraordinary items	268	(309)
Earnings per share	2.6p	5.5p

★ Profits before tax improved from £177,000 at the half year to £886,000 for the year.

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LETTERS TO THE EDITOR

The exchange rate

From Mr P. Browning

Sir,—Mr Brittan (February 23) is surely right to point out that competitiveness is, by definition, a comparative measure. We can all become more efficient but we cannot all become more competitive. And it can scarcely be in dispute that we in the UK would be better off if we improved our efficiency, whether or not this improved our competitiveness. Mr Mitchell's argument (March 9) appears suspect at a number of points, of which I mention two.

"The role of the exchange rate is to enable each to sell such goods competitively, so preventing a shift of economic activity from the less to the more efficient countries." If this were indeed the role of exchange rates then under fixed rates, à la Bretton Woods, foreign trade and relative economic development would have been frozen in its post-war pattern. This is not what happened.

By what criteria are exchange rates to be "correctly positioned"? They cannot, apparently, be positioned by competitiveness (at some point in time) because, according to Mr Mitchell, "competitiveness is determined by the level of the exchange rate."

The exchange rate is "determined by the fiscal and monetary policies of Government." I suspect that this is a proposition that Mr Callaghan, Mr Healey, Mr Lawson, to name but a few, and their foreign counterparts at relevant times, might not endorse unreservedly.

The real world is less simple than the text-book world (often of two countries and two commodities) where exchange rates are determined by the relative movements of prices and income, ie, by the current account. With very large sums of footloose money sloshing about the world currency stocks have become more important than flows, at least in the short term.

There is a real problem with exchange rates which may be put roughly as follows: "Why should we strain our guts to reduce our domestic costs, in sterling, when the external benefits can be negated, or worse (or, conversely, achieved more easily) by an erratic change in the exchange rate"? Mr Mitchell is fishing in deep, not to say murky, economic waters and I think he needs some more sophisticated tackle.

Peter Browning.
Oak Form Cottage, Hog Lane, Ashley Green, Near Chesham, Bucks.

Countertrade should be part of the marketing mix

From Mr H. Davies

Sir, — I fully agree with N. Mellor (March 6) who calls for a more imaginative approach to counter-trade by our exporting companies. Numerous examples abound where UK exporters have lost sizable contracts in eastern Europe and developing countries by sidestepping demands for counter-trade. Our European and Japanese competitors have shown considerable commercial flexibility in accepting reciprocal deliveries from their clients to offset the outflow of hard currency.

The experience gained by those countries now allows counter-trade to be used as part of the "marketing mix." When competition is fierce, for example when bidding for tenders, a counter-trade element can mean the difference between the success or failure of a contract. In the UK it is regarded as a necessary evil to be avoided at all costs.

Apart from the relative inflexibility which I feel is largely due to lack of knowledge about counter-trade, our exporters are further disadvantaged by the organisational hierarchy of our competitors. Vertically and horizontally integrated Japanese corporations use their trading companies to scour selected markets for saleable products, and in return obtain "counter-purchase credits" in favour of their manufacturing divisions' counter-trade obligation.

The French have a quasi-government organisation, ACECO (Association pour la Compensation des Exchanges Commerciaux) which brings together French exporters facing counter-trade demands with importers not only from France but from other countries within the EEC. The Austrians have EFAG (Evidenzburo), which is an independent association of companies whose function also includes assisting its members with counter-trade problems. Similar organisations also exist in West Germany and Sweden.

In the UK there has, until recently, been no centralised organisation to assist our exporters. Government policy is neither to condemn or officially recognise counter-trade, the majority of UK banks can give very little help to companies faced with counter-trade, and the private sector is suspicious of any attempts to educate our exporters.

Counter-trade can seem complex and can be risky, but any export executive who considers the commercial and political credit risks and ignores the counter-trade risk in any future export contract is asking for trouble. Companies must be aware of what products are produced by the potential export country and must also know who can assist them in the disposal of those products, should they be offered for counter-trade. This would avoid the situation that some of our unfortunate exporters have had to contend with: just before the signing ceremony they are faced with a counter-trade demand.

UK exporters must accept that counter-trade will become a much more dominant force in international trade for the next 10-15 years, and they must keep up with their competitors. Commercial flexibility and greater communication between companies is called for, as one company's imports are another's counter-purchase credit.

Howard C. Davies.
95, Merton Mansions, Bushey Road, Raynes Park, SW20.

investment in viable industries, is the most cost effective way of producing jobs.

John Palmer.
63-67, Newington Causeway, SE1.

From Mr G. Corbett

Sir,—Apropos your report regarding Mr Tebbit's paper to the National Economic Development Council, I am quite sure he is right in that a shortage of engineers and technologists is in part responsible for our unsatisfactory industrial performance in recent decades. Perhaps the reason why the UK lags behind all of its main competitors, however, is that the salaries paid to UK engineers are by and large significantly less than that paid by our competitors, even taking into account different costs of living. As a supporter of a free market, I am sure Mr Tebbit would agree that if the price were right, then the market would supply the commodity.

G. G. Corbett.
17, Firswood Mount, Gatley, Cheadle, Cheshire.

From Mr A. Ellinger

Sir, — Competitiveness is determined not, as Austin Mitchell, MP, says (March 9) "by the rate of exchange" but by the "ratio of the costs of production to the rate of exchange."

Mr Mitchell knows how to let the djinn out of the bottle; does he know how to get it back in? Of course he does. He can choose between the 1976 method and call in the IMF or the 1979 method and lose the election to the Conservatives.

A. G. Ellinger.
30 Lensfield Road, Cambridge.

Enterprise zones

From Mr A. Hollway

Sir,—Mr D. E. Gravell asks (February 28): "Do we need enterprise zones?" and expresses concern at the £20,000 it costs per job created in the zones, quoted in Mr Hall's article (February 22).

There does seem to be a lack of awareness by the public of the wasteful and costly nature of the experiment. It is therefore useful to quote some facts from Roger Tym & Partners' Year Three Report, on monitoring the original zones.

There has been an approximate "expenditure" of £252.4m on those zones, up to May 31, 1983, to create 10,750 jobs by December 31 1983. This includes public and private investment, rates relief and maximum claimable capital allowances. No account has been made for the cost of administration of tha zones, though that may be balanced by the fact that companies in the zones may not hava claimed their maximum capital allowances.

So, to date, the cost per job in the zones is £23,479 but, if we take Roger Tym's figure that 50 per cent of the jobs are from existing companies merely transfering into the zones, it has cost £46,958 per new job!

There is, however, no doubt that most of the new jobs in the zones would have been created even if there bad been no subsidies, in which case the true cost per job doesn't bear contemplation!

The answer to the question is that on most criteria—be it the cost of job creation, the distortion of the market due to the unfair competition, or the lowering of property values in the surrounding areas—the zone experiment is proving a disastrous extravagance.

Alan C. Hollway
W. F. Hollway & Bro., 42 Grafton Street, Liverpool.

Business rates

From Mr A. Low

Sir,—It is a fallacy to suggest that business would benefit from de-rating (Sir Terence Beckett, March 7). Economic theory predicts that de-rating would afford only temporary relief, as the rata saved would quickly be absorbed by higher rents. There is ample evidence to support thia prediction, the most recent coming from the enterprise zones, where rents inside the zones are higher than those outside by almost exactly the amount of the rate concession.

The CBI does not help its members when it advocates policies which ignore the fundamental laws of economics, as, in this case, Ricardo's Law of Rent. It would do better to direct its attention to the level of industrial rents in this country, which are among the highest in Western Europe.

Henry Law.
8, Woodhouse Road, Hove, Sussex.

From the President, Association of Metropolitan Authorities.

Sir,—Sir Terence Beckatt (March 7) expresses the view that the Rates Bill is a step towards helping businesses. Although the Government has made much of this argument in seeking support for its Bill, it is an entirely peripheral issue. Sir Terence himself admits it will not satisfy the CBI. Rates form less than 1 per cent of the costs faced by industry, and it is far from clear that the effective incidence of those rates falls on industry. For example, evidence from the enterprise zones clearly shows that the absence of industrial rates has led to an increase in industrial rents suggesting a trade off between rents and rates predicted by economic theory.

If business rates are a problem they can be best tackled by a thorough going reform of local government finance—an issue which the Government has avoided. Instead the Government uses issues like business rates to obscure the main purpose of the Rates Bill. That is for central government to take over the control of individual local authorities in an arbitrary and dictatorial manner. The Bill represents a contraction of the spread of power throughout different institutions in the country which underpins our basic liberties and which has been built up over the centuries.

Underbill.
36 Old Queen Street, SW1.

Engineering training

From Mr J. Former

Sir,—There may be a number of areas in the Engineering Industry Training Board which could he improved (and the Engineering Employers Federation?) but the abject rejection of the whole philosophy seems professionally negative. I have never come across candidatea of such a high standard as those trained by the EITB in its fellowship of manufacturing management. The shame is that this whole country can only manage 45 or so of these excellent courses per year. These fortunate young engineers bave a superb opportunity of gaining four years' equivalent experience at a key time of their life, the late 20s, and are in very high demand.

Last week I lost a toolmaker in the West Country to a toolroom 30 miles away at a pay rate of £200 per week, for the simple reason that there are not enough toolmakers in England today. The EEF really seems to be so far off reality on this point, it is amazing. Skill is absolutely essential — a higher skill level is perhaps the only way to be competitive by improving production-engineering and tooling. The EITB must continue trying to generate skill of this sort.

The EEF a black pot? Yes, it is calling the "EITB" kettle black—one bureaucracy complaining about another. The real problem is that the EEF should know better, it represents managers in industry! I sincerely hope that it will think again in e realistic and progressive way.

J. D. Farmer.
2 Brewery Road, Horsell, Woking, Surrey

The cost of jobs

From the Director of Information, Greater London Enterprise Board

Sir,—Mr D. E. Gravell (February 28) is not the only one to raise his eyebrows at the reported cost of creating jobs in Government supported enterprise zones. Although in his article (February 22) Peter Hall gave an estimated cost of £20,000 per jab created within the enterprise zones this figure is almost certainly an under estimate particularly if yon take into account the fact that only two fifths of the jobs are actually new, the rest being transfers, 90 per cent of which had moved locally from just outside the enterprise zones. On this basis, a figure of more than £40,000 per real new job in the enterprise zones appears nearer the mark.

It is true that the cost of jobs created in the specially assisted regions is also high and an even greater figure has been attached to the cost of jobs to be created in the new Nissan investment in Britain. It is against this background, however, that the operations of the GLEB and similar bodies should be judged in the first 10 months of the current financial year it had committed £20m in investments in 143 enterprises as a result of which just short of 2,000 jobs will be directly created or preserved. Even on the totally unrealistic assumption that every single one of these investments fail and none produces any return whatsoever, this would work out at a cost of £10,000 per job. Indeed if investment funds in the projects alone are considered and capital spending on associated property developments is excluded, the figure works out at nearer £7,000 per job. As a matter of fact, GLEB's investments will both produce a direct return and will save considerable public resources which would otherwise be spent on unemployment pay or lost in terms of rate and tax income foregona.

On any comparison of the relative experience of the enterprise zones with operations like the GLEB, it does appear that the policy of direct public

The decline of coal

From Mr V. Vesma

Sir,—As energy efficiency officer for a London borough it is one of my duties to promote the use of coal instead of more expensive fuels (such as 35-second oil) in major heating installations. This would cut our costs considerably.

But what chance do I have against the twin evils of the "Scargill factor" and the National Coal Board's remarkable failure to market its own product? My advocacy of solid fuel is regarded as some sort of eccentric quirk.

It does not surprise me that British Gas — whose product is 50 per cent more expensive — continues to grow while the NCB declines.

Vilnis Vesma.
3b, Stratheden Parade, SE3

Vestigial reminder

From Mr M. Briggs

Sir, — Should we not use the TUC's withdrawal (presumably temporary) from the National Economic Development Council to close down that most tiresome of all quangos?

One of the great achievements of this Government has been to end trinitarianism: rule by the state, industry and the TUC. NEDC is a vestigial reminder of those bad old days. We should get rid of it now.

M. Briggs.
1 Fitzroy Road, Tankerton, Kent

Tokyo Pacific Holdings N.V.

Curaçao, Netherlands Antilles

Annual General Meeting of Shareholders

Notice is hereby given that the Annual General Meeting of Shareholders of Tokyo Pacific Holdings N.V. has been called by the Manager, Intimis Management Company N.V. The Meeting will take place at John B. Gorsiraweg 6, Willemstad, Curaçao, Netherlands Antilles on 5th April, 1984, at 10.30 a.m.

Agenda

1. To consider the Report of the Management of the Company on the business and the conduct of its affairs during the fiscal year ended 31st December, 1983.
2. To consider and, if thought fit, approve the Statement of Assets and Liabilities as of 31st December, 1983, the Statement of Sources of Net Assets as of 31st December, 1983 and the Profit and Loss Account for the fiscal year ended 31st December, 1983, as audited by the Independent Accountants of the Company.
3. To declare a cash dividend of US$ 0.75 per Ordinary Share of the Company.
4. To re-elect the Manager of the Company.
5. To elect the Supervisory Board.
6. To ratify, confirm and approve the acts of the Management and the Supervisory Board since the last Annual General Meeting of Shareholders of the Company on 14th April, 1983.
7. Any other business.

The items for consideration have been recommended by the Supervisory Board for shareholders approval. Details may be obtained from the offices of the Company at John B. Gorsiraweg 6, Willemstad, Curaçao, or from the Paying Agents listed hereunder. Shareholders will be admitted to the Meeting on presentation of their certificates or of vouchers, which may be obtained from any of the Paying Agents.

Willemstad, Curaçao, 13th March, 1984.
Intimis Management Company N.V.

Paying Agents

Pierson, Heldring & Pierson N.V., Herengracht 214, 1016 BS Amsterdam

National Westminster Bank Limited, Stock Office Services, 3rd Floor, 20 Old Broad Street, London EC2N 1EJ

Kredietbank S.A. Luxembourgeoise, 43 Boulevard Royal, Luxembourg

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Sal. Oppenheim jr. & Cie., Unter Sachsenhausen 4, 5 Köln

Trinkaus & Burkhardt, Königsallee 21-23, D 4000 Düsseldorf 1

Tokyo Pacific Holdings (Seaboard) N.V.

Curaçao, Netherlands Antilles

Annual General Meeting of Shareholders

Notice is hereby given that the Annual General Meeting of Shareholders of Tokyo Pacific Holdings (Seaboard) N.V. has been called by the Manager, Intimis Management Company N.V. The Meeting will take place at John B. Gorsiraweg 6, Willemstad, Curaçao, Netherlands Antilles on 5th April, 1984, at 10.00 a.m.

Agenda

1. To consider the Report of the Management of the Company on the business and the conduct of its affairs during the fiscal year ended 31st December, 1983.
2. To consider and, if thought fit, approve the Statement of Assets and Liabilities as of 31st December, 1983, the Statement of Sources of Net Assets as of 31st December, 1983 and the Profit and Loss Account for the fiscal year ended 31st December, 1983, as audited by the Independent Accountants of the Company.
3. To declare a cash dividend of US$ 0.545 per Ordinary Share of the Company.
4. To re-elect the Manager of the Company.
5. To elect the Supervisory Board.
6. To ratify, confirm and approve the acts of the Management and the Supervisory Board since the last Annual General Meeting of Shareholders of the Company on 14th April, 1983.
7. Any other business.

The items for consideration have been recommended by the Supervisory Board for shareholders approval. Details may be obtained from the offices of the Company at John B. Gorsiraweg 6, Willemstad, Curaçao, or from the Paying Agents listed hereunder. Shareholders will be admitted to the Meeting on presentation of their certificates or of vouchers, which may be obtained from any of the Paying Agents.

Willemstad, Curaçao, 13th March, 1984.
Intimis Management Company N.V.

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THE ARTS

American Ballet Theatre/David Vaughan

Twyla Tharp goes classical

The future of the art of ballet depends on its ability to produce new choreographers whose concern is to revitalise its structures and vocabulary. There are signs that such new choreographers are likely to come not only out of ballet companies but from what might seem at first an unlikely source, the avant-garde. In Britain, the Royal Ballet has commissioned work from Richard Alston, in Paris the Opéra from Lucinda Childs (who is also preparing a piece for the Pacific Northwest Ballet, in Seattle).

But perhaps the most startling development is the emergence of Twyla Tharp as a classical choreographer. She has of course made several works for ballet companies in the last 10 years: *Deuce Coupe* and *As Time Goes By* for the Joffrey Ballet in 1973, *Push Comes to Shove* for American Ballet Theatre in 1976. While it is true that the last-named is a ballet about the company it was made for, all of these works were cast in Tharp's own frenetic idiom, an idiom in which Mikhail Baryshnikov, for one, proved to be hilariously adept. (Several dancers left the Joffrey Ballet to become members of Tharp's own company.)

But in the past year Tharp has produced two more pieces for ABT, whose vocabulary is that of the extended classicism developed by Balanchine. (In the spring she is to work with Balanchine's own company, New York City Ballet, in collaboration with Jerome Robbins.) *The Little Ballet*, to music of Glazunov, and *Bach Partita* formed part of an all-Tharp programme presented by the company in Boston during its current tour, together with *Push Comes to Shove* and *Sinatra Suite* (extracted from the *Nine Sinatra Songs* given by Tharp's own company and danced here by Baryshnikov with Elaine Kudo, an unbeatable combination of charismatic virtuosity and glamour).

The Little Ballet is just that, an exquisite miniature for Baryshnikov and four women, while the Bach is a large-scale work for three leading and seven subsidiary couples, plus a corps de ballet of 16 women. (Paradoxically, the small work is done to ballet music for full orchestra, and the large one to the second Partita for unaccompanied violin.)

Tharp shares with other great choreographers the ability to make dancers move more like themselves than they knew they could. No one has used to more spectacular effect Baryshnikov's gift for executing *enchaînements* that defy analysis—one sees that the ellipsis that has always been a hallmark of her style is analogous to Balanchine's elimination of preparatory and linking steps. And no one has ever incorporated the virtuosity of star dancers like Cynthia Gregory and Fernando Bujones, Martine van Hamel and Clark Tippet, Magali Messac and Robert La Fosse so seamlessly into the fabric of a ballet in which the ensemble is more important than any individual. One senses that each of these dancers is aware of the importance of the endeavour in which they are involved.

It is no secret that ABT has been going through a critical period both artistically and financially. In his capacity as artistic director, Baryshnikov has adopted policies that are thought to have resulted in box office losses, such as the casting of young, unknown dancers in leading roles. It is generally supposed that the general public loves full-length ballets, if possible danced by superstars, to the exclusion of all else. Accordingly, ABT has spent a great deal of money on a version of *Cinderella*, also seen in Boston.

Billed as "Mikhail Baryshnikov's production," it was staged in collaboration with Peter Anastos, the very talented choreographer who began his career as one of the "ballerinas" of the travesti Ballets Trockadero de Monte Carlo. He has been making ballets for several of the companies that have sprung up in virtually every major American city, ballets notable for their wit and lyricism. But he and Baryshnikov have been defeated in their apparent aim to make a three-act ballet streamlined for contemporary taste.

Their *Cinderella* lacks the combination of magic and human charity that alone can bring a fairy-tale to life. It will doubtless be a commercial success, but artistically it is a dinosaur.

Twyla Tharp said recently that with a ballet company, she is working within a set tradition, while with her own dancers, she starts each time from scratch—each new piece represents a direction in which the company could go. In fact, it seems equally true that the Bach ballet represents a direction in which ABT could go—must go, if it is to survive as a living organism.

Clark Tippet and Martine van Hamel in 'Bach Partita'

Television/Christopher Dunkley

Plays without point or purpose

It has been argued repeatedly in this column that television with its continuous flow and easy access, plus the recidivist habits of its audience, is a medium peculiarly well suited to series and serial drama. This is not the same as saying that there is or should be no place on television for the single play. Indeed there are all sorts of reasons why the single play should be encouraged, not least the fact that many good series (*Rumpole*, *Boys From The Blackstuff* and *Jewel In The Crown* for instance) have developed as the result of successful single plays.

Moreover, the single play can serve as a nursery slope for new talent; it can offer more protection than many forms for the expression of powerful individual views; and it can even push out the boundaries of the medium, though this has occurred very rarely recently. There is no prejudice in this column against the single play: when they are as good as *An Englishman Abroad* and *Ballroom of Romance* were good they will be readily celebrated here.

The trouble is that since the great flowering of the single play in the sixties so many have been bad. Take Howard Brenton's "Play For Today" on BBC1 last night, *Desert of Lies*. As it dragged through its 85 minutes the main reaction it produced was puzzlement: what on earth was it supposed to achieve? There was a loose association of ideas between the story of a missionary family lost in the Kalahari Desert 100 years ago and a trio of ludicrously naive modern adventurers (a caricature of a journalist, Sue, played by Cherie Lunghi; an empty headed redundant Luton car worker, Jake, played by Mick Ford; and a fey middle class mystic, George, who started the whole business, played by Tim Wylton) lost in the Kalahari today.

The connecting factor seemed to be a shallow and incoherent anti-imperialism of the sort which used to inform school debates in the 1950s and 1960s. Yet there was never any attempt to develop any recognisable intellectual positions as in, say, a Shaw play. From time to time there were snatches of dialogue which seemed as though they might lead to the development of an argument, *for example*:

"I am hungry."

"I've got some freeze dried ravioli."

"I mean I'm hungry for experience. And it's a vice" but they invariably petered out.

A black man told Sue "You'll never understand the liberation struggles of the third world until your wealth decays and in your turn have lived in chains." Sue herself wondered about a line drawn between her front door key in the desert and her front door in Fulham: "How many children would it pass through in black republics . . . how many students poring over Engels . . . white mining engineers getting into Johnnie Walker." None of it led anywhere.

But nor on the other hand did the narrative justify the occupation of 85 minutes: the Victorian missionaries failed to find any natives with heads in the middle of their bodies to convert to Christianity (surprise, surprise!) and ended in internecine feuding with a young man self-righteously shooting his alcoholic uncle to death. The modern-day trio wrecked their Landrover, frittered away their supplies, failed to operate the sextant, and ended with Sue musing about which bit of George to eat.

The two far from noble savages who had hitherto been spying on Jake and Sue as they indulged in bouts of remarkably joyless "ople boogie" in the sand then saved Sue's life with a snack of water and live maggots and took her to their hut for a year where one of them fathered her child. After her presence had been supposedly spotted by a satellite, Sue returned to London where she played tapes of her cannibalistic ravings to her editor and then refused to write any account of what had happened.

Was this supposed to entertain? Hardly: there was no attempt at wit, humour, or even satire. Was it intended to inform? Clearly not in any systematic way. Was it a vehicle for outstanding acting? Definitely not: neither Cherie Lunghi nor Terence Rigby as the Victorian paterfamilias was even moderately stretched. Did it exploit wonderful locations? None. It was shot in studio. Was it intended to engage our sympathy or enlist our support? Apparently not: there was not a sympathetic character in the entire production nor a single speech with which one could be bothered to agree or disagree *especially strongly*.

Why then was it produced at all? One is driven back upon the fact that Brenton is the man who wrote "The Romans In Britain," which became the subject of a famous obscenity trial. The trouble is that however ludicrous legislation regarding taste may be, falling foul of it does not automatically make you a good playwright.

Last week's "Play For Today," *Moving On The Edge*, by Rose Tremain had a little more going for it: Eleanor Bron who is endlessly watchable played the poor little rich girl on the edge of a nervous breakdown in suburbia, and Rosalie Crutchley delivered a wonderful cameo as her mother, caught stealing a lobster from Harrod's and muttering "I think I ought to prepare myself psychologically for mail bags." The main concern seemed to be that familiar 20th-century problem: failure to communicate within the family. Daughter talked only to au pair, husband talked ostensibly to others but heard only himself, and so on. For the umpteenth time one was reminded of Tom Lehrer's immortal words "I feel that if a person can't communicate the very least he can do is to shut up."

Eleanor Bron in 'Moving on the Edge'

Waving To A Train three days later on BBC2 felt like an adaptation of one of those atmospheric and almost event-free English short stories. Using the standard BBC formula of Fair Isle sweater and steam train it evoked a powerful sense of a middle class family picnic in the early fifties, achieving pinpoint accuracy with its Thermos flask and its sandwiches in greaseproof paper, but requiring us to believe for the sake of the climax in a wholly unrealistic degree of excitement from the 10-year-old boy over the appearance of a train. Such hysteria ("There it is! There it is! What a lot of smoke! Nearer and nearer!" etc) would scarcely have been in order had he been about to drive the thing let alone merely observe it.

Looking further back at other single plays over the past couple of months we have had *Z For Zachariah* on BBC1, a post-holocaust story which also depended upon audience acceptance of the wholly incredible: the exclusion of a Welsh valley from all traces of nuclear winter and fallout. Not only was this rather less impressive than the French post-holocaust movie *Malevil* shown by Channel 4 last November, it was also less convincing than individual episodes of Terry Nation's post-holocaust series *Survivors* which the BBC showed in 1975.

Just Another Little Blue Song on BBC2 was one of those plangent stories about a misspent youth in a Soho jazz club which teenagers in Hampstead used to write under the influence of Jack Kerouac in 1959. *And The Weather In The Streets* was the be-all and end-all of Fair Isle sweater dramas, starring a vintage Rolls Royce and an immaculately restored milk float which haunted the landscape, sneaking into the back of shots like some tediously insistent extra.

The production values in *Moving On The Edge*, *Waving To A Train*, *Z For Zacharia* and *The Weather In The Streets* were beyond reproach. The acting was never less than wholly competent and often better, which is more than can be said for ITV's even fewer single plays this year. *Mr Halpern and Mr Johnson* did no favours for poor Laurence Olivier — indeed the whole production would have been better on radio — and *Separate Tables* was a stavishly theatrical revival which could have been shot through the proscenium arch.

If television wants the single play defended it is going to have to do a lot better than this. Not only are boundaries not being pushed out, but any movement which can be discerned appears to be in the other direction: more and more tightly inside cosy limits. The exceptions, such as *Desert of Lies*, are too often simply not worth defending.

The Jew of Malta/Warehouse

Martin Hoyle

Leather clothes are by Zipper. A religious adviser is credited. *The Governor of Malta* is played by an ex-RN frogman who has toured in an aquashow. The Turkish general is generously embodied by an ex-Windmill girl in thigh-length high-heel boots and a piratical eye-patch but whose vocal projection at least leaves something to be desired. The cultural label that Peter Benedict's production of Marlowe's cheerful shocker seems to be groping for could be tentatively termed Firbankian.

It certainly emerges as a fun play, with its entire convent wiped out by poisoned porridge and stray friars strangled as they snooze. One regrets the apparent lack of nerve that fails to exploit the production's punk gear, video and general mod cons—Barabas is finally grilled in a man-sized microwave oven—from the statutory brothel scene that always produces the louche goods (of recent versions of *Pericles* and *Measure for Measure*). "Provide a running banquet!" orders the tetchy courtesan; a glass of *twiglets* is *slapped* on to the table. "A French musician!" she cries as Barabas in beret and striped vest smirks soulfully over his accordion. Ideally the play now needs to be filmed by such high camp fantasists as Derek Jarman or Ken Russell, one of whose favourite actresses was taking note in the audience.

Most of the acting lacks the sense of irony to carry through this cheeky approach. Roger Fletcher, skating through the title-role with minimal Whitechapel inflections, or indeed inflections of any kind, and a £6 suit (I am informed) from Camden Market, is no match for the leering outrage of his punk Ithamore, the cockatoo-crested Peter Holt; a probable Millwall supporter of gleefully mindless viciousness. Ben White, doubling as a young blood and a darkly bespectacled leather Turk, exudes a presence and vocal attack that show up some of his colleagues as amateurish, or at best studenty.

Elisabeth Platel/Covent Garden

Clement Crisp

Watching Elisabeth Platel again on Monday in *Swan Lake* I saw much of what one looks for, dares hope for, in a young ballerina. And how rare it is to find that combination of thoroughbred physique and refined training, to see movement placed with a kind of lovely inevitability so that all the hallowed attitudes of the *danse d'école* appear fresh, pristine.

There is an especially poignant and thrilling moment at the start of certain variations when Mlle Platel stands, her body taut and exquisitely stretched, as if waiting for the drama and the choreography to vibrate through her; and we are held in a uniquely satisfying anticipation of what must follow. We know that there are no technical problems or insecurities to cloud the dance; what Mlle Platel will—and does—show us is a style which, at this stage in her career, is marked by a fascinating contrast between youthful authority and a certain innocence of means as she gradually makes her beautiful way towards the heart of the double role.

That she does not yet know everything about *Swan Lake* gives an appealing emotional vulnerability to her reading; that she brings to its technical demands an already amazing control—the Black Swan variations on Monday were exemplary—and sensitivity, are the finest signs of her exceptional gifts.

This performance, in which Derek Deane was a gallant partner and replaced the indisposed Jay Jolley, marks the *end* of Mlle Platel's present series of appearances with the Royal Ballet. She must return, and we must hope soon to see her as Aurora: even in the Paris Opéra Ballet's crackpot staging of two years ago she gave an outstanding interpretation.

Monday's presentation was otherwise suhfuse, apart from delight in the dancing of Ravenna Tucker and Deirdre Eyden. Musically the evening was coarse-grained. It would be a salutary experience for everyone connected with the Royal Ballet to hear the Kirov orchestra under Yevgeny Kolobov, when music and dance are uniquely, spaciously at one in honouring *Swan Lake*.

John Sessions/King's Head

Michael Coveney

You pays your money and takes your chance with John Sessions, but I strongly recommend a visit to this extraordinary one-man show given by an imaginative, Joycean mimic who happily disproves the common evaluation of an alternative comedian as one who does not make you laugh.

Sessions, rather like Ken Dodd, does not really know when to stop. At least Dodd has the good grace to keep his timing devices in the wings. Sessions puts a clock downstage right, just next to the toilet roll (which comes in handy for 18th-century costume effects).

He still goes on too long, but the evening is one of strange, unsettling improvised riffs, starting with an acidic attack on the current BBC2 history of theatre ("All the World Owes Me a Living") which takes in Edward Fox and Terry Venables (why not? he's a good lad) performing *The Bacchae* against a peculiar backdrop of Greek tourist trade, the arrival of Agamemnon in the West Riding of the Brontës, and lightning references to Alec McCowen and Sergeant Bilko.

The method is free association with surprising narrative loops, dips and *scuffles*. When we arrive at a black *Hamlet* introduced by Ronnie Harwood (author of "The Welsh Dresser and His Pals"), we have the knock-on effect of "culture" and trendy responses to street idiom and argot.

The effect is, in fact, rather complicated, but intermittently and brilliantly funny. Sessions *will go on* and on, *oblivious* to declining attentiveness and suddenly alive to any rich new area he opens up. Interestingly, he never responds to a cough, a wriggle, even a noisy exit. Maniacally, he ploughs on.

I was delighted to meet up again with Richard Burton and Peter O'Toole down on their luck on Liverpool Street station. Their audition for Andrew Lloyd Webber is now contained in an odd IRA story, with West End impressarios Fox and White cowering on the sidelines while Lloyd Webber's 39th birthday party is rudely interrupted. The local and parochial jokes are worth tolerating for the sheer joy of watching an inspired comic operating in black tights and overdrive for two and a-half hours.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

March 9–15

Theatre

LONDON

Little Shop of Horrors (Comedy): Campy off-Broadway import which is less good than The Rocky Horror Picture Show but which has a curious charm, a full-blown performance from Ellen Greene and an exotically expanding man-eating prickly plant. (930 2578).

Sufficient Carbohydrate (Albery): Transfer after a sold-out season at Hampstead for Dennis Potter's menopausal, over-symbolic but truculently written comedy on a gleaming white Greek island set. Dinsdale Landen superb, yet again, as a garrulous drunk. (836 3878).

Hay Fever (Queen's): Penelope Keith is more "right" for Judith Bliss than was either Edith Evans or Celia Johnson. She is very funny, winsomely autocratic, distracted. The supporting actors roll over without protest. (734 1166).

Pack of Lies (Lyric): Judi Dench in a decent, enthralling play about the breaking of a spy ring in the suburban Ruislip of 1959-60. Hugh Whitemore's script cleverly constructs a drama about betrayal from the friendship of neighbours. The story is based on fact and well directed by Clifford Williams. (437 3686).

The Real Thing (Strand): Susan Penhaligon and Paul Shelley now take the leads in Tom Stoppard's fascinating, complex, slightly flawed new play. Peter Wood's production strikes a happy note of serious levity. (836 2660/4143).

Daisy Pulls It Off (Globe): Enjoyable romp derived from the world of Angela Brazil novels: gym slips, hockey sticks, a cliff-top rescue, stout moral conclusion and a rousing school hymn. Spiffing if you're in that sort of mood. (437 1592)

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888)

Saint Joan (Olivier): Staid and stolid National Theatre revival of a play that is finding it increasingly hard to live up to the tag of Shaw's masterpiece. Frances de la Tour is sincere and unrhetorical to a fault as the maid, and Ronald Eyre's direction includes medieval pageant, some striking music by Ilona Sekacz and, alas, a disastrous deputy inquisitor from Cyril Cusack. (928 2252)

See How They Run (Shaftesbury): The line is not, after all, "Arrest some of these vicars" (as Tom Stoppard thought) but "Arrest most of these people." Philip King's 1945 farce is one of the funniest plays in English, a veritable period classic, and Ray Cooney's revival is, on the whole, splendid. A village prude sips too much sherry and finds the stage awash with clergymen, some of them genuine. The farceurs include Maureen Lipman, Derek Nimmo, Michael Denison, Christopher Timothy. (930 8577)

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T. S. Eliot children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262)

La Cage aux Folles (Palace): Perhaps this season's outstanding musical comes, like Evita and Cats before it, at the very beginning of the theatrical year. Despite stellar names such as Harvey Fierstein writing the book and Jerry Herman the music, the best parts of the show are not the hoopla, apart from the first-act finale a la Gaîté Parisienne, but the intimate moments borrowed direct from the film. (757 2626)

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020)

Torch Song Trilogy (Helen Hayes): Harvey Fierstein's ebullient and touching story of a drag queen from backstage to loneliness incorporates all the wild histrionics in between, down to the confrontation with his doting Jewish mother. (944 9450)

Dreamgirls (Imperial): Michael Bennett's latest musical has now become a stalwart Broadway presence despite the forced effort to recreate the career of a 1960s female pop group, a la Supremes, without the quality of their music. (239 6200)

Nine (46th St): Two dozen women surround Sergio Franchi in this Tony-award winning musical version of the Fellini film 8½, which like the original celebrates creativity, here as a series of Tommy Tune's exciting scenes. (246 0246)

CHICAGO

E. R. (Forum): Moving into its second year parodying melodrama in a hospital setting, this emergency room continues its adventures among a young doctor, a receptionist and an authoritarian nurse. (486 3000)

WASHINGTON

Beyond Therapy (Kreeger): Christopher Durang's romantic comedy has all the elements of modern singles life including meeting through the personals column of a newspaper and a scene in a hip restaurant, but it reflects more than explores the shallowness of a surfeit of choices. Arena Stage (488 3300)

The School for Scandal (Folger): With Dawn Spare as Lady Teazle and Lilene Mansell as Lady Sneerwell, Sheridan's "delicacy of hint and mellowness of sneer" comes to give inspiration close to the nation's capital in a production directed by Allen R. Belknap (546 4000).

Death of A Salesman (Eisenhower): A new production with Dustin Hoffman as Willy Loman starts a cross-country tour destined to end up on Broadway in the spring. Ends March 18. Kennedy Center (254 3670)

Accidental Death of an Anarchist (Kreeger): Dario Fo's London hit has been adapted anew in collaboration with the author and stars Richard Bauer under the direction of Douglas C. Wager. Ends March 18. Arena Stage (488 3300)

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THE BUDGET: The Chancellor's Speech

Reforms to stimulate enterprise • PSBR £7¼bn

Mr Nigel Lawson, presenting his Budget yesterday, said there would be no let-up in the Government's determination to defeat inflation. The Budget had two themes: a further reduction of inflation and tax reforms to enable the economy to work better. The Reforms would stimulate enterprise and set business on the road to profitable expansion. They would also help to bring new jobs. The Chancellor said:

Mr Nigel Lawson, the Chancellor of the Exchequer, pictured leaving No 11 Downing St, to go to the House of Commons, to deliver his Budget speech

This Budget will set the Government's course for this parliament.

There will be no letting up in our determination to defeat inflation. We shall continue the policies that we have followed consistently since 1979. These policies provide the only way to achieve our ultimate objective of stable prices. To abandon them would be to risk renewed inflation, and much higher unemployment. As a result of our determined efforts, inflation is at its lowest level since the 'sixties. Economic recovery is well under way, employment is growing.

These achievements are a tribute to the courage and foresight of the five Budgets presented by my distinguished predecessor, whose duties unfortunately keep him in Brussels today.

I shall do nothing today to compromise those successes. But there is much that I can do to build upon them.

My Budget today has two themes.

First, the further reduction of inflation. And second, a series of tax reforms designed to enable the economy to work better. Reforms to stimulate enterprise and set British business on the road to profitable expansion. Reforms that will help to bring new jobs.

I shall begin by reviewing the economic background to the Budget. I shall then deal with the Medium Term Financial Strategy; with monetary policy and the monetary targets for next year; and with public borrowing and the appropriate public sector borrowing requirements for the coming year. I shall then turn to public expenditure, including the prospects for the longer term.

Finally I shall deal with taxation, and the changes in the structure of taxation which will pave the way for cuts in taxes in subsequent years, for this will be a tax reform Budget.

As usual, a number of press releases, filling out the details of my tax proposals, will be available from the Vote Office as soon as I have sat down.

I start with the economic background.

Since 1980, inflation has fallen steadily from a peak of over 20 per cent. For last year as a whole it was down to about 4½ per cent, the lowest figure since the sixties. And with lower inflation have come lower interest rates.

This in turn has led to an economic recovery whose underlying strength is now beyond dispute. Whereas in some previous cycles recovery has come from a self-defeating stimulus to monetary demand, this time it has sprung from sound finance and honest money. Lower inflation and lower interest rates benefit industry, business and consumer confidence alike.

Across the economy, total money incomes grew in 1983 by about 8 per cent, of which 3 per cent represented real growth in output. Although there is still room for improvement, this is a very much healthier division between inflation and real growth than the nation experienced in the 1970s. Output in the second half of 1983 is now reckoned to have exceeded the previous peak, before the world recession set in, and is still rising strongly.

A welcome recovery

Productivity too has continued to improve rapidly. Just as over the past year many have wrongly predicted an end to the recovery, so some have tried to dismiss the sharp rise in productivity as a flash in the pan. Yet in 1983 manufacturing productivity grew by 6 per cent for the second year in succession. Unit labour costs across the whole economy are likely to show the smallest annual increase since the 1960s. This has allowed a welcome and necessary recovery in real levels of profitability.

Higher profits lead to more jobs. The number of people in work increased by about 80,000 between March and September last year. The loss of jobs in manufacturing has slowed down sharply, while jobs in services increased by getting on for 200,000 in the first nine months of last year.

But further progress is needed. Although our unit wage costs in manufacturing rose by under 3 per cent last year, our three biggest competitors, the U.S., Japan and West Germany, did better. The employment prospect would be significantly improved if a bigger contribution to improved cost performance were to come from lower pay rises.

Demand, output, profits and employment all rose last year. Home demand has played the major part in the recovery so far. Lower inflation reduced people's need to save, and real incomes rose. Personal consumption increased by over 3½ per cent compared with 1982.

Fixed investment rose rather faster than consumption, with investment in housing and services particularly strong.

Our rate of economic growth last year was the highest in the European Community. For much of 1983 our export performance was affected by weak demand in many of our overseas markets, while imports rose slightly faster than home demand. But by the end of last year world trade was clearly moving ahead again, and in the three months to January manufacturing exports increased very substantially. The balance of payments on current account last year is estimated to have been in surplus by about £2bn.

Our critics have been confounded by this combination of economic recovery and low inflation. Even the pessimists have been forced to acknowledge the durability of the recovery.

It is set to continue throughout this year at an annual rate of 3 per cent. Inflation is expected to remain low, edging back down to 4½ per cent by the end of this year. With rising incomes and low inflation, consumption will continue to grow. And, encouraged by improved profitability and better long-term growth prospects, investment is expected to rise by a good 6 per cent this year.

Looking abroad, too, economic prospects are more favourable than for some time. Output in the U.S. should continue to grow strongly this year. And recovery is spreading to the rest of the world.

Of course, there are inevitable risks and uncertainties. The size and continued growth of the U.S. budget deficit is a cause of widespread concern and keeps interest rates high, exacerbating the problems of the debtor countries.

And the need to finance the U.S. deficit by inflows of foreign capital has kept the dollar artificially high and led to a massive and growing trade deficit, greatly increasing the pressures for protectionism within the U.S.

A second potential risk is disruption in the oil market. The UK and indeed the world economy, inevitably remain vulnerable to any major disturbances in this market.

But despite these risks there is a growing sense throughout the industrialised world that the recovery this time is one which can be sustained. The essential requirement is the continued pursuit of prudent monetary and fiscal policies.

For the United Kingdom, the medium-term financial strategy has been the cornerstone of such policies. It will continue to play that role; to provide a framework and discipline for

‘ There is a growing sense throughout the industrialised world that the recovery this time is one which can be sustained. The essential requirement is the continued pursuit of prudent monetary and fiscal policies ’

Government and to set out clearly, to industry and the financial markets, the guidelines of policy. Too often in the past governments abandoned financial discipline whenever the going got rough, and staggered from one short-term policy expedient to another. The temptation to accommodate inflationary pressures proved irresistible and the nation's longer-term economic performance was progressively undermined.

The MTFS was designed to remedy this, by imposing a disciplined financial framework which would also ensure consistency between monetary and fiscal policies and a proper balance in the economy.

It is so designed to ensure that the more inflation and inflationary expectations come down, the more room is available for output and employment to grow.

People now know that the Government intends to stick to its medium term objectives. They understand that the faster inflation comes down, the faster output and employment are likely to recover. The increasing degree of realism and flexibility in the economy owes much to the pursuit of firm and consistent policies within the MTFS framework.

Originally the MTFS covered four years. In this first Budget of a new parliament it is appropriate to carry it forward for five years. So the MTFS published today in the financial statement and Budget report—the Red Book—shows a continuing downward path for the monetary target ranges over the next five years, and a path for public borrowing consistent with that reduction. It takes full account of important influences such as the pattern of North Sea oil revenues and the level of asset sales arising from the privatisation programme.

For the two final years of the new MTFS, which lie beyond the period covered in last year's public expenditure survey and last month's White Paper, the Government has not yet made firm plans for public spending. But the MTFS assumption — and at present it is no more than an assumption — is that the level of public spending in 1987-88 and 1988-89 will be the same in real terms as that currently planned for 1986-87.

The precise figures set out in the MTFS are not of course a rigid framework, lacking all flexibility.

As in the past, there may need to be adjustments to take account of changing circumstances. But no changes will be made that might jeopardise the consistent pursuit of the Government's objectives.

Monetary policy

Monetary policy will continue to play a central role. Further reductions in monetary growth are needed to achieve still lower inflation.

Over the 12 months to mid-February the growth of £M3 has been well within the 7 per cent to 11 per cent target range, with M1 at the top of the range and PSL2 a little above it. While in the early months of the target period most measures of money showed signs of accelerating, since the summer growth in all the target aggregates has been comfortably within the range. And nominal interest rates have continued to decline in line with falling inflation.

Other evidence confirms that monetary conditions are satisfactory. The effective exchange rate has remained fairly stable, despite the international uncertainties which I have described.

If monetary policy is to stay on track its practical implementation must adapt to changes in the financial system and in the significance of different measures of money. There is nothing new in this. Over the years we have more than once altered the target ranges and aggregates to take account of such changes. But the thrust of the strategy has been maintained.

One important development has been the decision to give a more explicit role to the narrow measures of money. £M3 and the other broad aggregates give a good indication of the growth of liquidity. But a large proportion of this money is in reality a form of savings, invested for the interest it can earn. In defining policy it is helpful also to make specific reference to measures of money which relate more narrowly to balances held for current spending.

It was for this reason that M1 was introduced as a target aggregate, but it has not proved entirely satisfactory for that purpose. With the rapid growth of interest-bearing sight deposits, M1 has become an increasingly poor measure of money held to finance current spending. The signs are that this will continue.

Other measures of narrow money have not been distorted to the same extent. In particular, M0, which consists mainly of currency, is likely to be a better indicator of financial conditions than M1. There is also the new aggregate M2, which was specifically devised to provide a comprehensive measure of transactions balances. This may also be a useful guide but, being new, still needs to be interpreted with particular care.

In the past two years, it has been possible to set a single target range for both broad and narrow measures of money. But this will not normally be the case; for narrow monetary aggregates tend in the long run to grow more slowly than broader measures. Thus this year's Red Book sets out two separate (though overlapping) ranges.

The target range for broad money will continue to apply to £M3, and for the coming year will be set at 6-10 per cent, as indicated in last year's MTFS. The target range for narrow money will apply to M0 and for next year will be set at 4-8 per cent. To avoid any possible misunderstanding, let me stress that the use of M0 as a target aggregate will not involve any change in methods of monetary control.

Financial conditions

The two target aggregates will have equal importance in the conduct of policy. And the authorities will continue to take into account other measures of money, especially M2 and PSL2, which include building society liabilities, as well as wider evidence of financial conditions, including the exchange rate. As in the past, monetary conditions will be kept under control by an appropriate combination of funding and operations in the money market.

So far as funding is concerned, the public sector's borrowing requirement, as I shall shortly explain, will be significantly lower in the coming year. In financing it, the role of National Savings will remain important. This year's National Savings' target of £3bn is likely to be achieved: the target for the coming year will again be £3bn.

Precise monetary targets for the later years will be decided nearer the time.

But to give a broad indication of the objectives of monetary policy, the new MTFS, like previous versions, shows monetary ranges for a number of years ahead. These ranges are consistent with a continuing downward trend in inflation. They demonstrate the Government's intention to make further progress towards stable prices.

Public sector borrowing

I turn now to public borrowing. Just as the classical formula for financial discipline—the gold standard and the balanced budget—had both a monetary and a fiscal component, so does the Medium-Term Financial Strategy.

The MTFS has always envisaged that the Public Sector Borrowing Requirement would fall as a percentage of gross domestic product over the medium term. By 1981-82 we had brought it down to 3¼ per cent of GDP.

Since then there has been little further fall. The latest estimate of the PSBR for the current year, 1983-84, remains what it was in November: around £10bn, equivalent to 3¼ per cent of GDP.

This is significantly above what was intended at the time of last year's Budget and would of course have been higher still had it not been for the July measures.

We now need a further substantial reduction in borrowing in order to help bring interest rates down further as monetary growth slows down. Sterling interest rates are, of course, also influenced by dollar interest rates; but that makes it all the more important to curb domestic pressures. In contrast to virtually the whole of the post-war period, UK three-month and long-term rates are now lower than American rates. As long as American rates remain near their current level, it is highly desirable that this advantage be maintained.

The higher level of asset sales wa are planning as the privatisation programme gathers pace is a further reason for reducing the PSBR significantly in tha coming year.

Asset sales reduce the Government's need to borrow, but their effect on interest rates may be less than the effect of most other reductions in Government spending programmes.

Last year's MTFS showed an illustrative PSBR for 1984-85 of 2¼ per cent of GDP, equivalent to around £8bn. But I believe that it is possible, and indeed prudent, to aim for a somewhat lower figure. I am therefore providing for a PSBR next year of 2¼ per cent of GDP, or £7¼bn.

The House will recall that in November I warned that on conventional assumptions, including the 1983 Red Book's PSBR figure of £8bn for next year, I might have to increase taxes slightly in the Budget. I am glsd to report that tha latest, and more buoyant, forecasts of tax revenue in the coming year have improved the picture. A PSBR of £7¼bn will require oo overall net increase in taxation.

Moreover, while the measures I shall shortly announce will, after indexation, be broadly neutral in their effects on revenue in 1984-85, they will reduce taxation in 1985-86 by well over £1bn. And the MTFS published today shows that there should be room for further tax cuts not only in 1985-86, but throughout the remainder of this parliament, provided that we stick firmly to our published plans for public expenditure to 1986-87 and maintain an equally firm control of public spending thereafter.

The Public Expenditure White Paper setting out our spending plans for the next three years was approved by the House last week. Today I want to consider the important issue of Government spending in a rather wider perspective.

For far too long, public spending has grown faster than the economy as a whole. As a result, the tax burden has steadily increased and income tax has extended steadily lower down the income scale.

We have seen a massive enlargement in the role of the state, at the expense of the individual, and a corresponding increase in the dead weight of taxation holding back our economic progress as a nation.

This process has to stop. But it has arisen because much public spending is directed to eminently desirable ends. This raises difficult issues which deserve the widest possible consideration and debate.

The Government is therefore publishing today, in addition to the customary Budget documents, a Green Paper on the prospects for public spending and taxation over the next 10 years. It examines past trends; discusses the pressures for still higher spending; and examines the rewards for the individual and the benefits for the economy if these pressures can be contained.

The Green Paper concludes that, without firm control over public spending, there can be no prospect of bringing the burden of tax back to more reasonable levels.

On the assumptions made in the Green Paper, the burden of taxation will be reduced to the levels of the early 1970s only if public spending is kept broadly stable in real terms over the next 10 years.

The Government believes that tho issues discussed in the Green Paper merit the attention of the House and the country.

In contrast to previous years, I have no package of public expenditure measures to announce in this Budget. The White Paper plans stand.

I can, however, make one announcement, which I think the House will welcome. Within the published plans the Government has been able to provide the National Heritage Memorial Fund with additional resources which will enable them among other things to secure the future of Calke Abbey. My Rt Hon Friend, the Secretary of State for the Environment, will be announcing the details later today.

Tha House will recall that proposals for the new rates of social security benefit to come into force in November are not now made at the time of the Budget. Following last year's legislation to return to the historic method of uprating, price protection is measured by reference to the retail price index for May. My Rt Hon Friend the Secretary of State for Social Services will be announcing the new rates of social security benefits, including child benefit, when the May RPI is known.

Before leaving Government spending, I should add a word on public sector manpower. At the beginning of the last parliament, the Government set itself the target of reducing the size of the Civil Service from 732,000 in April 1979 to 630,000 by April of this year. That target will be achieved. We have now set ourselves the further target of 593,000 by April 1988.

I am confident that a smaller Civil Service will continue to improve its efficiency. The tax changes I shall be announcing today will reduce manpower requirements by at least 1,000 in my own departments, which will help towards meeting the 1988 target.

I indicated at the outset that this will be a radical, tax-reforming Budget. It will also significantly reduce the overall burden of tax over the next two years taken together. And I hope to have scope for further reductions in future Budgets.

My proposals for reform are guided by two basic principles. First, the need to make changes that will improve our economic performance over the longer term. Second, the desire to make life a little simpler for the taxpayer.

‘ Without firm control over public spending, there can be no prospect of bringing the tax burden to more reasonable levels. The burden will be reduced to the levels of the early 1970s only if public spending is kept broadly stable ’

But I am well aware that the tax reformer's path is a stony one. Any change in the system is bound, at least in the short term, to bring benefits to some and disadvantages to others.

And the disapproval of the latter group tends to be rather more audibla than the murmurings of satisfaction from the former.

Some commentators have suggested that our entire income-based tax system should be replaced with an expenditure-based system. Even if a root-and-branch chango of this kind were desirable, it would, I believe, be wholly impractical and unrealistic.

Transitional arrangements

But I do not believe we can afford to opt for the quiet life and do nothing. So I have chosen the middle way—to introduce reforms, some of tham far-reaching, within the framework of our existing income-based system. I shall also be proposing transitional arrangements where I believe it fair and appropriate to do so.

The changes I shall be proposing today fall into three broad categories. These are the taxation of savings and investment, business taxation, and the taxation of personal income and spending.

First, tha taxation of savings and investment. The proposals I am about to make should improve the direction and quality of both. And they will contribute further to tho creation of a property-owning and share-owning democracy, in which more decisions are made by individuals rather than by institutions.

I start with stamp dnty. This was doubled from its long-standing 1 per cent by tho post-war Labour Government in 1947, reduced by the Conservative Government in 1963, and once again doubled to 2 per cent by Labour in the first Budget presented by the Rt Hon Member for Leeds East in 1974. At its present level it is an impediment to mobility and incompatible with the forces of competition now at work in tha City, following the withdrawal of the Stock Exchange case from the Restrictive Practices Court.

I therefore propose to halve the rate of stamp duty to 1 per cent. The new rate will apply straight away to Stock Exchange deals. It will also apply from today to other transactions where documents are stamped on or after March 20.

For the home buyer, the new flat rate 1 per cent stamp duty will start at £30,000. Below this level no duty will be payable. As a result of this £5,000 increase in the threshold, 90 per cent of first-time home-buyers will not have to pay stamp duty at all.

Reducing the rate of duty on share transfers will remove an important disincentive to investment in equities and increase the international competitiveness of our stock market. It should also help British companies to raise equity finance.

In addition, I have four proposals to encourage the issue of corporate bonds. I shall go ahead with the new arrangements for deep discount stock and the reliefs for companies issuing Eurobonds, and for convertible loan stock, which were announced but not enacted last year. And I propose to exempt from capital gains tax most corporate fixed interest securities provided they are held for more than a year. Since such securities are already exempt from stamp duty this means that the tax concessions for private sector borrowing in the corporate bond market will now be virtually the same as for Government borrowing in the gilt-edged market.

The reduction in stamp duty will cost £450m in 1984-85, of which £160m is the cost of the relief on share transfers, and £290m the cost of the relief on transfers of houses and other buildings and land.

Next, life assurance. The main effect of life assurance premium relief today is unduly to favour institutional rather than direct investment. It has also spawned a multiplicity of well-advertised tax management schemes, and no less than 50 pages of legislation attempting to deal with its abuse. I therefore propose to withdraw the relief on all new contracts made after today. I stress that this change will apply only to new (or newly-enhanced) policies taken out after today. Existing policies will not be affected at all. The change is estimated to yield about £90m in 1984-85.

I am also proposing to curtail the special—but unfortunately widely abused—privileges for what are known as "tax exempt" friendly societies and bring them into line with the normal rules for friendly societies doing "mixed" business. However, tha limits within which in future all friendly societies will be able to write assurance on a tax exempt basis will be increased from £500 to £750.

I have also reviewed the tax treatment of direct personal investment. The investment income surcharge is an unfair and anomalous tax on savings and on the the rewards of successful enterprise. It hits the small businessman who reaches retirement without the cushion of a company pension scheme, and impedes the creation of farm tenancies. In the vast majority of cases it is a tax on savings made out of hard-earned and fully-taxed income. More than half of those who pay the investment income surcharge are over 65, and of these half would otherwise be liable to tax at only the basic rate.

I have therefore decided that the investment income surcharge should be abolished. The cost in 1984-85 will be some £25m, building up to around £350m in a full year.

Finally, I propose to draw more closely together the tax treatment of depositors in banks and building societies.

These institutions compete in the same market for personal deposits. I believe that they should be able to do so on more equal terms, as far as tax is concerned. One source of unequal treatment has already been removed, with the recent change made on legal advice in the tax treatment of building societies' profits from gilt-edged securities. They are now treated in the same way as those of the banks have always been.

But the major source of unequal treatment, against which the banks in particular have frequently complained, is the special arrangement for interest paid by building societies. The societies pay tax at a special rate—the composite rate—on the interest paid to the depositor, who receives credit for income tax at the full basic rate.

Competition and simplicity

This system, which has worked well for the past 90 years, has both an advantage and a disadvantage. The disadvantage is that a minority of depositors, who are below the income tax threshold, still pay tax at the composite rate. It has not, however, stopped many of them using building societies because of the competitive rates they have offered. The advantage of the scheme is its extreme simplicity, particularly for the taxpayer, most taxpayers are spared the bother of paying tax on interest through PAYE or individual assessment, while the Revenue are spared the need to recruit up to 2,000 extra staff to collect the tax due on interest paid without deduction.

In common with my predecessors of all parties over the past 90 years, I am satisfied that the advantage of the composite rate arrangement outweighs the disadvantage.

It follows that equal treatment of building societies and banks should be achieved, not by removing the composite rate from the societies, but by extending it to the banks and other licensed deposit takers.

Non-taxpayers will continue to be able to receive interest gross, should they wish to do so, by putting their money into appropriate National Savings facilities. But the purpose of the move is not, of course, to attract savings into Government hands: as I have already announced, next year's target for National Savings will be the same as this year's and last year's; and the total Government appetite for savings, which is measured by the size of the Public Sector Borrowing Requirement, is being significantly reduced.

The true purpose of the move is simple: fairer competition and simplicity itself. The great majority of individual bank customers will, when it comes to tax, be able to forget about

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THE BUDGET: The Chancellor's Speech

Reduction in corporation tax for small companies

Continued from previous page

bank interest altogether, for all the tax due on it will already have been paid. And it will be easier for people to compare the terms *offered* for their savings by banks and building societies.

The purpose of the change is not to raise additional revenue. The composite rate arrangement is designed to collect no more tax than would be due at the basic rate from all depositors under existing arrangements.

However, the Inland Revenue will be able to make staff *savings of up to 1,000 civil* servants. Moreover, this figure takes no account of the substantial numbers of additional Inland Revenue staff who would have been required to operate the present system as the trend towards the payment of interest on current accounts develops.

Accordingly, I propose to extend the composite rate arrangements to interest received by UK resident individuals from banks and other licensed deposit-takers with effect from 1985-86. The composite rate will not apply either to non-residents or to the corporate sector. Arrangements will also be made to exclude from the scheme certificates of deposit and time deposits of £50,000 or more.

Taken together, the major proposals I have just announced on stamp duty, life assurance premium relief, the investment income surcharge, and the composite rate, coupled with other minor proposals, will provide a simpler and more straightforward tax system for savings and investment. They will remove biases which have discouraged the individual saver from investing directly in industry.

They will reinforce the Government's policy of encouraging competition in the financial sector, as in the economy as a whole. And they are part of a package of measures designed to enable interest rates to fall and reduce the cost of borrowing.

I now turn to business taxation. Here, government has two responsibilities towards British business and industry. The first is to ensure that they do not have to bear an excessive burden of taxation. The second is to ensure that, given a particular burden, it is structured in the way that does least damage to the nation's economic performance.

The measures I am announcing today will, taking the next two years together, result in a substantial reduction in the burden of taxation on British business. And in addition I shall be proposing a far-reaching reform of company taxation.

Responses to the Corporation Tax Green Paper in 1982 showed a strong general desire to retain the imputation system. I accept that. But other changes are needed.

The current rates of corporation tax are far too high, penalising profit and success, and blunting the cutting edge of enterprise. They are the product of too many special reliefs, indiscriminately applied and of diminishing relevance to the conditions of today. Some of these reliefs reflect economic priorities or circumstances which have long vanished and now serve only to distort investment decisions and choices about finance. Others were introduced to meet short-term pressures, notably the upward surge of inflation.

With inflation down to today's low levels, this is clearly the time to take a fresh look. And with unemployment as high as it is today, it is particularly difficult to justify a tax system which encourages low-yielding or even loss-making investment at the expense of jobs.

My purpose therefore is to phase out some unnecessary reliefs, in order to bring about, over time, a markedly lower rate of tax on company profits.

First, capital allowances. Over virtually the whole of the post-war period there have been incentives for investment in both plant and machinery and *industrial (though not commercial)* buildings. But there is little evidence that these incentives have strengthened the *economy or improved* the quality of investment. Quite the contrary: the evidence suggests that businesses have invested *substantially in assets* yielding a lower rate of return than the investments made by our principal competitors. Too much of British investment has been made because the tax allowances make it look profitable, rather than because it would be truly productive. We need investment decisions based on future market assessments, not future tax assessments.

I propose to restructure the capital allowances in three annual stages. In the case of plant and machinery, and assets whose allowances are linked with them, the first-year allowance will be reduced from 100 per cent to 75 per cent for all such expenditure incurred after today, and to 50 per cent for expenditure incurred after March 31 next year. After March 31, 1986 there will no first-year allowances, and all expenditure on plant and machinery will qualify for annual allowances on a 25 per cent reducing balance basis.

In addition, from next year annual allowances will be given as soon as the expenditure is incurred, and not, as they are today, when the asset comes into use.

This will bring forward the entitlement to annual allowances for those assets, such as ships and oil rigs, for which some payment is normally made well before they are brought into use.

For industrial buildings, I propose that the initial allowance should fall from 75 per cent to 50 per cent from tonight, and be further reduced to 25 per cent from March 31 next year. After March 31 1986 the initial allowance will be abolished, and expenditure will be written off on an annual 4 per cent straight line basis.

When these changes have all taken place, tax allowances for both plant and machinery and industrial buildings will still on average be rather more generous than would be provided by a strict system of commercial depreciation.

Development areas

The changes in the rates of allowances will not apply to payments under binding contracts entered into before midnight tonight, provided that the *expenditure is incurred within* the next three years.

There will be transitional tax arrangements for certain investment projects in the development areas and special development areas. When o project in those areas has had an offer of Industry Act selective financial assistance and also attracts regional development grants, the existing capital allowances will continue to apply to the expenditure to which the selective assistance is related. These arrangements will cover projects for which offers have already been made between April 1 1980 and today. Similar arrangements for regional development grants were announced by my Rt. Hon. Friend the Secretary of State for Trade and Industry in his White Paper last December.

Over the same period to March 31 1986, most other capital allowances will be brought into line with the main changes I have announced. The Inland Revenue will be issuing a Press notice tonight giving full details of these proposals.

Next, stock relief. As the House will recall, this was introduced by the last Labour Government as a form of emergency help to businesses facing the ravages of high inflation. Those days are past; and the relief is no longer necessary. Company liquidity has improved and, above all, inflation has fallen sharply. Accordingly, I propose not to allow stock relief for increases in prices after this month.

The changes I have just announced, in capital allowances and stock relief, enable me to embark on a major programme of progressive reductions in the main rate of Corporation Tax.

For profits earned in the year just ending, on which tax is generally payable in 1984-85, the rate will be cut from 52 per cent to 50 per cent. For profits *earned in 1984-85 the rate will* be further cut to 45 per cent. Looking further ahead, to profits earned in 1985-86, the rate will go down to 40 per cent; and for profits earned in 1986-87 the main rate of corporation tax will be 35 per cent — no less than 17 percentage points below the current rate.

All these rates for the years ahead will be included in this year's Finance Bill. And when these changes are complete, *our rates of capital allowances* for the generality of plant and machinery will be comparable with those in most other countries, *while the rate of tax on* profits will be significantly lower.

The substantial reduction in *the rate of corporation tax* will bring a further benefit. Our imputation system allows a company to offset in full all interest paid.

But only a partial offset for dividends is allowed. Companies thus have a clear incentive to finance themselves through borrowing, in particular bank borrowing, rather than by raising equity capital. The *closer the corporation tax rate* comes to the basic rate of income-tax, the smaller this undesirable distortion becomes.

Of course, the majority of companies are not liable to pay the main rate of corporation tax at all. For them it is the small companies' rate, at present 38 per cent, which applies. I propose to reduce this rate forthwith to *30 per cent, for profits* earned in 1983-84 and thereafter. A tax regime for small companies which is already generous by international standards will thus become markedly more generous.

The Corporation Tax measures I have just announced will cost £280m in 1984-85. In 1985-86 the cost will be £450m—made up *of £1,100m by way of* reductions in the rates, only partially offset by a £650m reduction in the value of the *reliefs*. During the *transitional* period as a whole, these measures should have a broadly neutral effect on the financial position of companies. But when the changes have fully *worked through*, companies will enjoy very substantial reductions in the tax they pay.

Business and industry can go ahead confidently on the basis of the Corporation Tax rates I have announced today, which set the framework of company taxation for the rest of this Parliament.

Over the next two years, these changes will cause some investment to be brought forward, to take advantage of high first year capital allowances—a prospect made all the more alluring for business since the profits earned will be taxed at the new, lower, rates. But the more important and lasting effect will be to encourage the search for investment projects with a genuinely worthwhile return, and to discourage uneconomic investment.

It is doubtful whether it was ever really sensible to subsidise *capital investment irrespective* of th true rate of return. Certainly, with over 3m unemployed it cannot make sense to *subsidise capital so heavily* at the expense of labour.

These changes hold out an exciting opportunity for British industry as a whole—an opportunity further to improve its profitability, and to expand, building on the recovery that is already well under way. Higher profits after tax will encourage and reward enterprise, stimulate innovation in all its forms, and create more jobs.

I now turn to some more detailed measures affecting business.

The Business Expansion Scheme, introduced last year as a successor to the Business Start Up Scheme, has been widely welcomed as a highly imaginative *scheme for encouraging* individuals to invest in small companies. It is already proving a considerable success. It now *needs* time to settle *down*, and I have only one change to propose this year.

The scheme was designed to *offer generous incentives for investment* by new or expanding companies in high risk areas. The ownership of farmland cannot be said to fall *within this* category, and I therefore propose that from tomorrow farming should cease to be treated as a qualifying trade under the scheme.

Next, in keeping with what I have said about removing complexity and distortions, I propose to abolish two reliefs in the personal tax field which were introduced at a time when this country suffered from excessively high rates of income tax. As we have reduced those rates, the reliefs are no longer *justified*.

The first is the 50 per cent tax relief (falling after nine years to 25 per cent) applied to the emoluments of foreign-domiciled employees working here for foreign employers. These employees are often paying much less tax here than they would either in their own country or in most other *European countries*. At *present* income tax rates, the need for this relief has clearly disappeared. Moreover, it is open to widespread abuse. It is, for example, possible for someone whose parents came here from abroad and who has himself lived here all his life to enjoy this relief, if he works for a foreign company. That cannot be right.

I therefore propose to withdraw the relief for all new cases from today. For existing beneficiaries, the 25 per cent relief will cease on April 6, and the *50 per cent relief will be* phased out over the next five years.

I also propose to withdraw the foreign earnings relief for United Kingdom residents who work at least 30 days abroad in a tax year. This relief too harks back to the days of penally high income tax rates. It too has been exploited, in particular by those who prolong their overseas visits purely in order to gain a tax advantage. I propose to withdraw the matching relief for the self-employed who spend 30 days abroad and for those resident in the UK who have separate employments or separate trades carried on wholly abroad. The relief will be halved to 12½ per cent in 1984-85 and removed entirely from April 6 1985.

However, I am not making any change to the 100 per cent deduction given for absences abroad of 365 days or more. In addition, I have authorised consultations by the Inland Revenue about a possible relaxation *in the rules governing* the taxation of expenses reimbursed to employees for travel overseas.

Car benefit scales

The abolition of these reliefs will eventually yield revenue savings of over £150m; and represents another useful step in the removal of complexity and distortions in the tax system.

I need to set the car benefit scales for 1985-86 for those provided with the use of a car by their employer. Despite the increases over recent years, the levels still fall short of any realistic measure of the true benefit. I am proposing an increase of 10 per cent in both car and car fuel scales with effect from April 1985.

Unnecessarily high rates of tax discourage enterprise and risk taking. This is true of the capital taxes, just as it is of the corporation *and income taxes*. It is a matter of particular concern to those involved in running unquoted family businesses. *The highest rates* of capital transfer tax are far too high and badly out of line with comparable rates abroad. I propose there *fore*, in *addition* to statutory indexation, to reduce the highest rate of capital transfer tax from 75 *per* cent to 60 *per cent*. *For lifetime gifts* I propose to simplify the scale so that the rate is always one-half of that on death.

For capital gains tax I will, as promised, bring forward in the Finance Bill proposals to double the limit for retirement relief to a figure of 100,000, backdated to April 1983. A consultative document on other possible changes in this relief is being issued next week.

I am proposing no other changes this year in capital gains tax beyond the statutory indexation of the exempt amount from £5,300 to £5,600. However, the tax continues to attract criticism—not least for its complexity—and that is a matter to which I hope to return next year.

We have done much to improve the development land tax. Early in the last Parliament, my predecessor increased the threshold from £10,000 to £50,000. I now propose a further increase to £75,000, which will *reduce the number of cases* liable to the tax by more than one-third.

Next share options. The measures introduced in the last Parliament to improve employee involvement through profit-sharing and savings-related share options schemes have been a notable success. The number of these schemes open to all employees has increased from about 30 in 1979 to over 670 now. Benefiting some 0.5m employees.

To *maintain* and *build* on this progress I propose to *increase the* monthly *limit* on contributions to savings-related share option schemes from £50 to £100. I have also *authorised the Inland Revenue* to double the tax-free limits under the concession on long service awards, and to include within these limits the gift *of* shares in the employee's company.

But beyond this, I am convinced that we need to do more to attract top calibre company management and to increase the incentives and motivation of existing executives and key personnel by linking their rewards to performance. I propose therefore that, subject to certain necessary limits and conditions, share options generally be taken out of income tax altogether, leaving any gain to be charged to capital gains tax on ultimate disposal of the shares. The new rules will apply to options meeting the necessary conditions which are granted from April 6.

I am sure that all these changes will be welcomed as measures to encourage the commitment of employees to the success of their companies and to improve the performance, competitiveness and *profitability* of British industry.

As the House knows, the Government is deeply concerned at the threat which the *spread* of unitary taxation in certain U.S. states has posed to the U.S. subsidiaries of British firms. With our European partners we are monitoring the situation closely and await with keen interest the imminent report of U.S. Treasury Secretary Regan's working group. It is essential that a satisfactory solution is found and speedily implemented.

U.S. firms operating in this country are not of course taxed on o unitary basis.

I now turn to oil taxation. Last year's North Sea tax changes were well received, and there has been a substantial increase in the number of development projects coming forward, and a new surge in exploration. Work on no fewer than 128 offshore exploration and appraisal wells started last year—an all-time record.

The *Government* is already committed to a study of the economics of investment in incremental development in existing fields. This is of increasing importance, and in consultation with my Rt Hon Friend, the Secretary of State for Energy, I therefore propose to review this area with the industry, and to legislate as appropriate next year to improve the position. To prevent orojects being deferred pending this review, any changes will apply to all projects which receive *development consent* after today.

Meanwhile, I am taking two measures to prevent an unjustified loss of tax in the North Sea. First, in addition to the PRT measures on farmouts which I announced last September, I am limiting the potential corporation tax cost of such deals. Second, I propose to repeal the provision which allows advance corporation tax to be repaid where corporation tax is reduced by PRT. I have also reviewed the case for extending last year's future field concessions to the Southern Basin, bnt have concluded that additional *inceotives here are not needed*.

I have just two further changes affecting business to propose, both of which will come into force on October 1.

Ever since value-added tax was introduced in this country, we have treated imports differently from the way our main *European Community competitors* treat them.

While they require VAT on imported goods to be paid in the same way as customs duties, we do not. Under our system an importer does not have to account for VAT on his imports until he makes his normal VAT return, on average some 11 weeks later. During this time the importer enjoys free credit at the taxpayer's expense. But when one British businessman buys from another, he gets no such help from the taxpayer: he pays his VAT when he pays his supplier.

The European Commission has for some years now been seeking, *with our full support*, to get a system like ours adopted throughout the Community. But the plain fact is that in all that time the Commission has made no progress whatever.

I must tell the House that I am not prepared to put British industry at a competitive disadvantage in the home market any longer.

Should our European partners at any time undergo a Damascene conversion, and agree that the Commission's proposal should be accepted after all, then of course we would revert to the present system. But in the meantime I propose to move to the system used by our European competitors. We shall provide the same facilities for payment of VAT on imports as apply to customs duties. That means that most importers will be able to defer payment of VAT by on average one month from the date of importation. But that is all.

As I have said, this change will apply from October 1. By bringing forward VAT receipts, it will bring in an extra £1.2bn in 1984-85, some of which will be borne by foreign producers and manufacturers. There will of course be no increased revenue in subsequent years.

The second change I propose to make on October 1 concerns the National Insurance Surcharge.

This tax on jobs was introduced by the Labour Government in 1977 at the rate of 2 per cent, and further increased by the Rt Hon Member for Leeds East in 1978 to 3½ per cent. During the last parliament, this Government reduced it to 1 per cent, and we are pledged to abolish it during the lifetime of this parliament.

Given the impact that this tax has, not only on industrial costs but also—at a time of high unemployment—on jobs, I have decided to take the opportunity of this my first Budget to fulfil that pledge. Abolition of the National Insurance Surcharge from October will reduce private sector employers' costs by almost £350m in 1984-85, and over £850m in a full year. It will thus be of continuing help to British industry. As before, the benefit will be confined to the private sector.

The House will, I am sure, agree that a Budget which substantially reduces the Government's demands on the financial system which abolishes the National Insurance surcharge, and which cuts the rates and simplifies the structure of *corporation tax, is a Budget for* jobs and for enterprise. It offers British industry an opportunity which I am confident it will *seize*.

Having announced major reforms of both the taxation of savings and investment and the *taxation of business, I turn now* to the third and final area in which I propose to make progress on tax reform. This is the taxation of personal income and spending.

The broad principle was clearly set out in the Manifesto on which we were first elected in 1979. This emphasised the need for a switch from taxes on earnings to taxes on spending. *My predecessor made an important move in this direction in* his first Budget, and the time has come to make a further move today. To reduce direct taxation by this means is important in two ways. It improves incentives and makes it more worthwhile to work, and it increases the freedom of choice of the individual.

Having regard to the representations I have received on health grounds, I therefore propose an increase in the tobacco duty which, including VAT, will put 10p on the price of a packet of cigarettes, with corresponding increases for hand-rolling tobacco and cigars. This will do no more than restore the tax on tobacco to its 1965 level in real terms. These changes will take effect from midnight on Thursday. I do not, however, propose any increase in the duty on pipe tobacco.

I propose to raise most of the other excise duties broadly in line with inflation, so as to maintain their real value; not to do so would run counter to the philosophy I outlined a moment ago. But with inflation as low as it now is, the necessary increases are on the whole mercifully modest.

I propose to increase the duties on petrol and Derv by amounts which, including VAT, will raise the price at the pumps by 4½p and 3½p o gallon respectively. This does no more than keep pace with inflation. The changes will take effect for oil delivered from refineries and warehouses from six o'clock this evening. I do not propose to increase the duty on heavy *fuel oil, which is of particular* importance to industrial costs.

Kerosene duty abolished

There is one excise duty which I propose to do away with altogether. Many of those who find it hardest to make ends meet, including in particular many pensioners, use paraffin stoves to heat their homes. It is with them in mind that I propose to abolish the duty on kerosene from six o'clock tonight. I am sure that this will be welcomed on all sides of the House.

The various rates of vehicle excise duty will, once again, go up roughly in line with prices. *Thus the duty for cars and light* vans will be increased by £5, from £85 to £90 a year. However, in the light of the reassessment by my Rt Hon Friend the Secretary of State for Transport of the wear and tear that various types of vehicle cause to the road, there will be reductions in duty for the lightest lorries, offset by higher increases for some heavier lorries. All these changes in vehicle excise duty will take effect from tomorrow.

However, I propose to exempt from vehicle excise duty all *recipients of the war pensioners'* mobility supplement. In addition, the existing VAT relief for motor vehicles designed or *adapted for use by the handicapped* will be extended, and matched by a new car tax relief. The effect will be that neither *VAT nor car tax will apply to* family cars designed for disabled people or substantially adapated for their use.

I now come to the *most difficult* decision I have to take in the excise duty field. As the House will be aware, the rules of the European Community, so

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> ❛ Reducing the rate of duty on share transfers will remove an important disincentive to investment in equities and increase the international competitiveness of our stock markets. It should also help British companies to raise equity finance ❜

> ❛ With unemployment as high as it is today, it is particularly difficult to justify a tax system which encourages low-yielding or even loss-making investment at the expense of jobs ❜

A walk in the park for the Chancellor before the Budget

Hugh Routledge

A kiss for the Chancellor from his wife, Teresa

Value added tax to be imposed on hot takeaway food and drink

Continued from previous page

far as alcoholic drinks are concerned, are designed to prevent a member state from protecting its own domestic product by imposing a significantly higher duty on competing imports. In pursuit of this, the Commission has taken a number of countries to the European Court of Justice.

In our case, the Commission contended that we were protecting beer by under-taxing it in relation to wine. We fought the case, but lost; and I am now implementing the judgment handed down by the court last year. Accordingly, I propose to increase the duty on beer by the minimum amount needed to comply with the judgment and maintain revenue; 2p on a typical pint of beer, including VAT. At the same time, the duty on table wine will be reduced by the equivalent of about 18p a bottle, again including VAT.

We have thus complied with the court's judgment. And I am happy to be able to tell the House that the Italian Government have, after discussions, given us an undertaking that they will comply with earlier court rulings on discrimination against Scotch whisky.

As for the rest of the alcoholic drinks, cider, which increasingly compete with beer but attracts a lower duty, will go up by 3p a pint. The duties on made-wine will be aligned with those on other wine. And I propose to increase the duty on sparkling wine, fortified wine and spirits by about 10p a bottle, including VAT. All these changes will take effect from midnight tonight.

These changes in excise duties will, all told, bring in some £840m in 1984-85, some £200m more than is required to keep pace with inflation. The addition is of course due to the increase in tobacco duty.

The remainder of the extra revenue I need to enable me to make a substantial switch this year from taxes on earnings to taxes on spending must come from VAT. I propose no change in the rate of VAT. Instead, I intend to broaden the base of the tax by extending the 15 per cent rate to two areas of expenditure that have hitherto been zero-rated.

First, alterations to buildings. At present repairs and maintenance are taxed, but alterations are not. The borderline between these two categories is the most confused in the whole field of VAT. I propose to end this confusion and illogicality by bringing all alterations into tax.

I recognise that this will be unwelcome news for the construction industry, but construction will of course benefit greatly from the reduction in the rate of stamp duty which I have already announced.

Takeaway food

£290m of the cost of that reduction in 1984-85 relates to transfers of land and buildings, and of that £290m some 90 per cent relates to buildings and building land. Nevertheless, to allow a reasonable time for existing commitments to be completed or adjusted, the VAT change will be deferred until June 1.

Secondly, food. Most food is zero-rated. But food served in restaurants is taxed, together with a miscellaneous range of items including ice-cream, confectionery, soft drinks and crisps, which were brought into tax by the Rt Hon Member for Leeds East. Takeaway food clearly competes with other forms of catering, and I therefore intend to bring into tax hot takeaway food and drinks, with effect from May 1.

The total effect of the extensions of the VAT coverage which I have proposed will be to increase the yield of the tax by £375m in 1984-85 and by £650m in a full year.

The total impact effect on the retail price index of the VAT changes and excise duty changes taken together will be less than three-quarters of 1 per cent. This has already been taken into account in the forecast which I have given to the House of a decline in inflation to 4½ per cent by the end of the year.

The extra revenue raised in this way will enable me, within the overall framework of a neutral Budget, to lighten the burden of income tax.

Since we took office in 1979, we have cut the basic rate of income tax from 33 per cent to 30 per cent and sharply reduced the confiscatory higher rates inherited from the last Labour Government. We have increased the main tax allowances not simply in line with prices but by around 8 per cent in real terms. It is a good record. But it is not enough.


Trevor Humphries
Mrs Margaret Thatcher was in the House to hear the Budget speech

The burden of income tax is still too heavy.

During the lifetime of this Parliament, I intend to carry forward the progress we have already made. For the most part, this will have to wait for future budgets, particularly since I have thought it right this year to concentrate on setting a new regime of business taxation for the lifetime of a Parliament—and beyond. But as a result of the changes to taxes on spending which I have just announced, I can take a further step in this Budget.

"A Budget which substantially reduces the Government's demands on the financial system, which abolishes the national insurance surcharge, and which cuts the rates and simplifies the structure of corporation tax, is a budget for jobs and for enterprise"

I propose to make no change this year in the rates of income tax. So far as the allowances and thresholds are concerned, I must clearly increase these by amounts set out in the statutory indexation formula, based on the 5.3 per cent increase in the retail price index to December. The question is how much more I can do, and how to direct it.

I have decided that, this year, the right course is to use every penny I have in hand, within the framework of a revenue neutral Budget, to lift the level of the basic tax thresholds, for the married and single alike. It makes very little sense to be collecting income tax from people who are at the same time receiving means-tested benefits. Moreover low tax thresholds worsen the poverty and unemployment traps, so that there is little if any financial incentive to find a better job or even any job at all.

There is, alas, no quick or cheap solution to these problems. But that is all the more reason to make a further move towards solving them now.

I propose to increase the other thresholds in line with the statutory indexation requirement, but by no more. The first higher rate of 40 per cent will apply when taxable income reaches £15,400 a year and the top rate of 60 per cent to taxable income over £38,000. The single age allowance will rise from £2,360 to £2,490 and the married age allowance from £3,755 to £3,955.

For the basic thresholds, statutory indexation would mean putting the single and married allowances up by £100 and £150 respectively. I am glad to say that I can do considerably better than that. I propose to increase the basic thresholds by well over double what is required by indexation. The single person's allowance will be increased by £220, from £1,785 to £2,005; and the married man's allowance by £360, from £2,795 to £3,155.

This is an increase of around 12½ per cent or some 7 per cent in real terms. It brings the married man's tax allowance for 1984-85 to its highest level in real terms since the war. It means that the great majority of married couples will enjoy an income tax cut of at least £2 a week. And it means that a large number of people, those with the smallest incomes of all, are taken out of income tax altogether. Some 850,000 people—over 100,000 of them widows—who would have paid tax if thresholds had not been increased will pay no tax in 1984-1985. That is 400,000 more taken out of tax than if the allowances had merely been indexed.

All these changes will take effect under PAYE on the first pay day after May 10. Their cost is considerable: some £1.5bn in 1984-85, of which roughly half represents the cost of indexation.

This is as far as I can go on income tax this year, within a broadly revenue-neutral Budget for 1984-85. But so long as we hold to our published planned levels of public spending, there is an excellent prospect of further cuts in income tax in next year's Budget. These would be on top of the measures I have announced in this Budget which, as I have already told the House, will reduce taxation in 1985-86 by well over £1½bn, with business taking the lion's share.

I have, Mr Deputy Speaker, completed the course I charted at the outset this afternoon. I have described the recovery, and how the Government plans to sustain it, and assist the creation of new jobs. I have reaffirmed our commitment to further reductions in inflation, by maintaining sound money and by curbing government borrowing. I have embarked on a radical programme of tax reform, abolishing outright two major taxes—the investment income surcharge and the National Insurance surcharge. And I have been able to propose measures which will significantly reduce the burden of taxation over the next two years. I commend this Budget to the House.

The Chancellor rose at 3.40 pm and sat down at 4.59 pm, having spoken for 1 hour and 19 minutes.

Tories vote Nigel's debut a hit

NIGEL LAWSON opened his first Budget yesterday with e generous tribute to his predecessor, Sir Geoffrey Howe, and regretted that his dnties as Foreign Secretary prevented him from being present in the Commons.

Perhaps it was just as well that that the great mumbler was absent. It would have been mortifying for him to witness the almost forgotten spectacle of a Tory Chancellor being cheered lustily by his own backbenchers.

The Chancellor, who has never stirred much affection in the hearts of many of his colleagues, scored a triumpb with e typically flamboyant and cheeky performance.

For those of us who have watched the rise and rise of Nigel Lawson over the years, it was as if the actor who plays the part of the menacing "heavy" had suddenly switched roles and emerged as the shining hero.

His skilful presentation was certainly in marked contrast to Sir Geoffrey's performances in presenting his five Budgets. Nigel's Clever Dick act at the Despatch Box even won grudging admiration from the Labour benches.

The buoyant self-confidence which is Lawson's trademark was apparent from the start. The economic recovery was beyond dispute, and the Government's critics had been confounded by the way inflation had been held down, he said.

Earlier Governments, he said, had staggered from one short-term expedient to another, and the temptation to give way to inflationary pressures had proved irresistible to them. Could this, we wondered, be a dig at the Conservative Government of former Prime Minister Ted Heath, who sat a few feet away below the gangway.

There was an uncertain moment when we feared that Nigel had faltered. This came during the session on monetary policy when he seemed to have lost his way in a spaghetti junction of PSL2,

PARLIAMENTARY SKETCH

M3, M2 and that newcomer to the monetarist nursery, M0. However, this turned out to be the usual obligatory Treasury passage, and the Chancellor was soon tearing away again at full throttle.

Dropping his voice dramatically, he recalled that he had warned in the autumn that he might have to increase taxes in the Budget.

"Aha!" growled Labour MPs, in anticipation of bad news. But they were disappointed. Hey presto, as a result of more buoyant tax revenues, the picture had suddenly improved and there was no need for an overall net increase in taxation.

The Chancellor then boldly embarked on his tax reforms, requisitioning the title of Earl Macmillan's book, The Middle Way, as the label for his programme. Tory MPs listened anxiously, welcoming some proposals but looking apprehensive at others.

The withdrawal of tax relief on life insurance premiums was a hard one for them to swallow. However, almost before this had time to sink in, the Chancellor pacified them with the abolition of the investment income surcharge.

With great ingenuity, Nigel managed to divert Tory minds from some of his more unpalatable proposals by saving his biggest lollipop until the eod — the abolition of the National Insurance surcharge.

At this, Conservative MPs rose from their seats, waving their order papers in jubilation and taunting the Labour Party to do likewise. Needless to say, this invitation was not taken up.

Tantalisingly, Mr Lawson led up to an increase in beer duty but when he announced it at 2p on a pint instead of the forecast 7p, the Tories again laughed at Labour's discomfiture.

There was much Labour wrath at the extension of VAT to take-away foods. Apparently, th people who walk down the street eating fish and chips or hamburgers are thought to be solid Labour supporters.

As the Chancellor sat down, Mrs Thatcher, seated alongside him, bathed cheerfully in the reflected glory as the cheers rolled up from the Tory benches.

The occasion was also a first for Neil Kinnock, the Labour leader. Unfortunately, Neil fell into the verbiage trap. Although his speech was fairly short, he took the first five minutes praising the Chancellor for his brevity and complaining how difficult it was to give an off-the-cuff reply to the Budget.

His effort was not much better than those of his predecessor, Michael Foot—which is not saying much.

John Hunt

Kinnock condemns 'battering' of Britain and 'disdain for needs of the poor'

BY IVOR OWEN

MR NEIL KINNOCK, the Labour leader, dismissed Mr Nigel Lawson's first Budget as another instalment in the "battering Britain" policy the Government had followed since taking office in 1979.

"This Budget does mnch more for the City of London, than it does for the country of Britain," he said to Labour cheers.

In accordance with tradition, Mr Kinnock begun the Opposition's initial response to the Budget by congratulating the Chancellor on the manner in which be delivered his 79-minute speech.

But be challenged Mr Lawson's claim to have produced a neutral Bndget in revenne terms, by arguing thet such a description could only be jostified in a country where there was a standard of equity, a parity of treatment and a justice of opportunity.

Mr Kinnock insisted: "Obviously the people of this country do not begin from that standpoint."

A neutrality which relieved the obligations of tha rich while maintaining the obligations of the modestly well off and the poor, was not a nentral Budget.

Mr Kinnock contended that the Budget should be judged against the Gnvernment's overall performance, which included a 13 per cent fall in manufacturing output, a 40 per cent fall in manufacturing investment, a 2m rise in the level nf unemployment and a doubling nf the number of peopla poor enough to qualify for supplementary benefit.


Roger Taylor
Mr Neil Kinnock: Budget does more for the City than for Britain

He maintained that, against such a record, the Chancellor's proposals represented not nentrality but abdication, unforgiveable inertia, malice and a disdain for the needs of the poor.

Mr Kinnock said the Government regarded the fall in the level of inflation as a major achievement and the "jewel in its crown," but he said it as being more like "paste."

Brushing aside ministerial denials, be asserted that Britain's inflation rate was only marginally better than that of most other OECD countries.

The price paid for a marginal superiority of perhaps 1 per cent had been a massive contraction in Britain's capacity to produce, compete and employ.

For tha Social Democrats, Mr Ian Wrigglesworth (Stockton South), described the Budget as "a bit of a curate's egg—good in parts and rather bed in parts."

Ha believed that the message conveyed by the Budget was that there was very little hope for those who were unemplnyed that they would be able to find jobs in the years to come or be able to get out of the poverty trap many of them faced.

Mr Wrigglesworth did not believe that the Budget would sustain and nurture the "slender and weak sapling" of growth seen in the economy over the last few mooths.

Mr Kinnock welcomed the raising of the income tax threshold, bnt maintained that the Chancellor should have limited the reliefs provided to thosa earnings not more than £20,000 a year.

Ha emphasised that only those earnings over £20,000 a year had been able to avoid having their overall tax burden increased during the period in which Mrs Thatcher had been Prime Minister.

Mr Kinnock described the extension of VAT to "take-away" food as indefensible.

Establishments engaged in this trade, he said, were not in competition with restaurants or cafes which served meals and were used by many people as a means of reducing the cost of a cooked meal.

He also condemned the extension of VAT to home conversions and extensions, stressing that it would be another blow to the construction industry, which was already suffering from the fact that the number of new bousing starts was et the lowest level for many years.

The recovery of which the Chancellor bad boasted was based entirely on a "credit boomlet," and owed more to the date of last year's general election than to any stimulus provided by the Government.

Tax changes announced before Budget Day

Finance Bill will include measures announced earlier

AFTER the Chancellor's speech the Treasury said: As he indicated in a written reply to a Parliamentary Question on 25 July 1983, the Chancellor proposes to include in this year's Finance Bill a number of measures which were dropped from the 1983 Finance Bill, or could not be adde dto it, as a result of tha announcement of the general election last summer and the dissolotion of Parliament. Some other tax changes have been announced since the election. This is a list of all the measures concerned, with their proposed starting dates, under the headings (a) measures dropped from the 1983 Finance Bill following the announcement of the general election, (b) proposals on which the Government had announced that new clauses would be added to the 1983 Bill, and (c) new measures announced since the general election and before the Budget.

These changes are taken into account in the Budget arithmetic and the direct revenue effects are included in Table 4.2 of tha Financial Statement and Budget Report.

MEASURES DROPPED FROM THE 1983 FINANCE BILL:

VAT: refund of tax to .eammal OTL:Govern-MWMWM **Government Departments**—Implemented on an extra-statutory basis from September 1 1983; Clause 10: Enables the Treasury to direct the Commissioners of Customs and Excise to refund to government departments the VAT incurred on specified supplies acquired for non-business purposes.

VAT: conditions imposed on discretionary registration—Royal Assent 1984; Clause 11: Enables standard conditions imposed on the registration of certain businesses ("intending traders") not yet making taxable supolies) to be incorporated in regulations rather than being imposed individually.

Self-employed persons living in job related accommodation—Start April 6 1983; Clause 20: Extends "job-related" relief for mortgage interest and capital gains tax to self-employed people who are buying a home of their own bot who are under a contractual obligation to live in accommodation provided for them as part of the terms of their trade, profession, or vocation.

Reliefs for share options—Various starting dates; Clause 29: The review announced by the Chancellor on July 25 1983 has been completed. The proposals announced in the Budget are described separately.

Increase in limits for apportionment of income for close companies—1984-85; Clause 32: Raises to £1,000 the monetary limit belo wwhich close company income apportioned to an individual is not assessed to income tax.

Relief for discounts on bills of exchange—April 1 1983; Clause 33: Extends the circumstances in which tax relief is available to companies for discounts suffered on bills of exchange accepted by a bank after Aoril 1983. Relief will also be given for the incidental costs of raising such finance.

Relief for incidental costs of obtaining loan finance—April 1 1983; Clause 36: Extends tax relief to the incidental costs a company incurs in obtaining finance by means of convertible loan stock issues where conversion does not actually take place.

Trustee Savings Banks: treatment as bodies corporate—November 21 1982; Clause 37: Enable TSBs to obtain the benefit of certain tax reliefs available to companies.

Group relief—November 8 1983; Clauses 38, 39: Deals with ebuse of group relief involving disposals of assets before a company joins a new group. Revised draft clause and schedule published on November 8 1983. On further consideration, and having regard to representations, the Government now proposes a simpler, more straightforward approach to the problems. New draft clause being published today; details described separately.

Stock relief: houses taken in part exchange—March 15 1983; Clause 40: Allows housebuilders, in certain circumstances, to claim stock relief on second-hand houses accepted in part exchange for new bouses. (Relief will end with the abolition of stock relief—details described separately.)

Carry back of surplus ACT—April 1 1984; Clause 41: Extends from two to six years the period over which companies are allowed to carry back and set against earlier years' liabilities "surplus" ACT which cannot be used against current liability — details described separately.

Double taxation relief to be given before ACT—April 1 1984; Clause 42: Provides for credit for foreign tax to be set against corporation tax in priority to ACT set-off.

Recovery of taxes in lower courts—Royal Assent 1984; Clause 43: Increases the limit placed oo the recovery of tax in magistrates' courts.

Controlled foreign companies—April 6 1984; Clauses 44-52: Introduces provisions on "controlled foreign companies" designed to counter companies using tax havens to avoid UK taxes. Details published on October 31 1983.

CGT: withdrawal of outdated reliefs—April 1984; Clause 58 (part): Abolishes the small gifts exemption and the facility for the payment of CGT by instalments.

CGT: monetary limits for reliefs—April 6 1983; Clause 58 (part); Increases the limits of the reliefs which are available on the transfer of a business on retirement, on the letting of residential accommodation and on small part disposals of land.

CGT: foreign currency accounts—April 6 1983; Clause 60: Provides for gains arising on overseas bank accounts held by those who are resident but not domiciled in this country to be subject to tax only insofar as they are remitted to this country.

CGT: definition of "settler" and "settlement"—April 6 1984; Clause 62: Provides definitions for purposes of capital gains tax settled property provisions. Details published on January 31 1984. (Note: on December 21 1983 the Financial Secretary announced that the Government no longer intended to proceed with the proposals contained in Clause 61 of the original Finance Bill).

CTT: special discretionary trusts—March 9 1982; Clause 67: Ensures that in calculating the rate of capital transfer tax on property leaving certain kinds of discretionary trust, allowance is made for any period during which the property was "excluded property."

CTT: property moving between settlements—March 15 1983; Clause 68: Provides that the rule that property which moves directly from one discretionary trust to another is treated as remaining in the first trust is not to apply in certain cases where a reversionary interest has been settled before December 10 1981.

CTT: adjustment of tax—April 1 1983; Clause 71: Allows adjustments to be made to the amount of capital transfer tax charged on discretionary trusts if further information affecting the rate of tax comes to light following fraud, wilful default or neglect by the settlor of the trust.

CTT: Recovery of tax in lower Court—Royal Assent 1984; Clause 72: Allows proceedings for unpaid capital transfer tax to be taken in the Sheriff Courts; allows straightforward capital transfer tax cases to be taken by Inland Revenue staff other than solicitors or barristers. (Details of other capital transfer tax measures described separately.)

DLT: own use development—Continues relief which would otherwise expire on April 1 1984; Clause 89: Defers the charge on a deemed disposal which is made at any time (instead of before April 1 1984 as at present) and is for the owner's own use, and extinguishes any deferred liability which has not become chargeable within 12 years of the start of the development.

DLT: non-resident vendors—August 6 1984; Clause 90: Improves the machinery for collecting development land tax when land in the United Kingdom is sold by a vendor who is not resident here.

DLT: payment by instalments—August 6 1983; Clause 91: Extends the period over which tax can be paid by instalments from 8 to 10 years and removes the facility to pay by half-yearly instalments. (Details of other development land tax measures described separately.)

Reform of the Special Commissioners—An appointed day after Royal Assent; Clause 95: General reforms of the Special Commissioners building on the provisions of the original 1983 Finance Bill.

PROPOSED NEW CLAUSES NOT PUBLISHED BEFORE THE DISSOLUTION OF PARLIAMENT

Capital and Income Bonds—August 22 1983; Stops a tax avoidance device involving a package of qualifying and non-qualifying life assurance policies. Announced on August 22 1983.

Pension Funds: transactions in financial futures—July 25 1983; Exempts from tax pension funds' income or capital gains arising from transactions in financial futures. Announced on December 13 1983.

Furnished holiday lettings—April 6 1983; Provides for furnished holiday letting businesses which satisfy certain conditions to qualify for some reliefs otherwise available only where the activity amounts to a trade for tax purposes. Announced on January 31 1984.

Interest on Eurobonds—Royal Assent 1984; Allows companies to pay interest on Eurobonds without dedoction of tax subject to certain conditions. Details described separataly.

Deep Discount Securities—Issues after March 13 1984; Provides new rules for the tax treatment of securities issued by companies at a deep discount. Details described separately.

CGT and non-resident trusts: postponement of tax—draft clause published January 31 1984; Allows deferment of payment of capital gains tax, in certain circumstances, by beneficiaries of non-resident trusts.

Freeports — Royal Assent 1984. Provides for freeports to be set up. The location of six experimental freeports were announced on February 2 1984.

OTHER ITEMS WHICH THE GOVERNMENT HAS SUBSEQUENTLY ANNOUNCED WILL BE IN THE 1984 BILL

Offshore and overseas funds—Details published February 22 1984. Provides for certain gains on holdings in offshore and overseas funds to be taxed as income—announced on November 17 1983 and February 22 1984.

Offshore life assurance—November 17 1983; Disqualifies offshore life assurance policies. Imposes basic rate (in addition to higher rate) tax on gains from offshore life and (with effect from February 22 1984) offshore capital redemption policies. Announced on November 17 1983 and February 22 1984.

Building Societies Time Deposits—October 1 1984; Allows building societies to pay interest gross on time deposits (minimum £50,000) with a life of less than 12 months. Announced on September 30 1983.

Capital allowances: disposal of assets by British Gas Corporation: Provides, in certain circumstances, for assets transferred under the Oil & Gas (Enterprise) Act 1983 to be treated for capital allowance out by transferee company purposes as if owned through. Announcement by Secretary of State for Energy on October 25 1983.

Interest relief: employee buy-outs—April 6 1983; Relaxes test of "employee control" for purpose of relief for interest paid by employees on loans to buy shares in an employee-controled company as part of an employee buy-out. Announced on November 25 1983.

Purchase of units in unit trusts—April 6 1984; Removes unintended income tax charge which can arise when employees acquire unit trust holdings by means of deduction from salary made by their employer. Announced on November 11 1983.

Benefits in kind: scholarships—(1) March 15 1983; Eases the transitional arrangements relating to scholarships awarded after March 15 1983 and taken up beforet April 6 1984. (2) April 6 1984; Introduces tighter rules on "fortuitous awards." Announced on January 24 1984.

Stamp Duty: UK AEA—Effectively, Budget Day. Enables tenants buying their homes from UK AEA to pay stamp doty on the sale price net of any discount.

Capital allowances for cars leased to recipients of War Pensioners Mobility Supplement—November 21 1983; Provides for first year allowances to be available to lessors of cars to disabled recipients of War Pensioners Mobility Supplement. December 7 1983. (Allowances will diminish with the general reduction in the rates of capital allowances announced in tha Budget.)

VED: exemption for recipients of War Pensioners Mobility Supplement—November 21 1983: Provides for exemption from Vehicle Excise Duty for recipients of War Pensioners Mobility Supplement. Announced on December 7 1983.

CGT: Reform of market value rule—April 6 1983; Market value rula not to apply to acquisitions and disposals of assets by certain categories of taxpayers. Announced on December 22 1983. Further details of the proposal are described separately.

Northern Ireland: Grant to repay corporation tax—Provides for certain Government grants in Northern Ireland, to repay companies' corporation tax liabilities to be exempt from tax. Announced in a Written Reply to a Parliamentary Question on July 25 1983.

PRT and seasonal supply gas fields—Royal Assent 1984: Provides that a capacity charge will be treated for PRT as a payment for gas for the period in which it is received. Announced on December 15 1983.

PRT: reliefs and farm-ins—September 14 1984: Withdraws certain PRT reliefs for past expenditure against mature fields in which the claimant or an associated company became a participator after the date the expenditure was incurred. Announced on September 13 1983.

VAT and Car Tax: recovery of costs or distress or poinding—Royal Assent 1984: Makes it clear that Commissioners have powers to make regulations under VAT Act 1983 and Car Tax Act 1983 to recover costs incurred in levying distress or poinding. Announced in a Written Reply to a Parliamentary Question on January 16 1984.

Gaming machine licence duty—October 1 1984: Provides for changes in the administration of gaming machine licence duty.

In addition the Government has announced the intention to legislate, but not necessarily in 1984 Finance Bill, on one further item: VAT and supplies by overseas subsidiaries in the financial sector. (Announced on October 27 1983.)

مكتبة الأسد

Allowances up and basic tax rate ceiling raised to £15,400

The financial statement and Budget Report published yesterday announced the following proposed tax changes:

The description of proposed changes in Inland Revenue taxes is followed by those for Customs and Excise, Vehicle Excise Duty and the National Insurance Surcharge. The direct effects of the proposed changes are shown in Table 4.2. This table also includes the direct effects of proposed changes in taxation which have been announced prior to the Budget for inclusion in the 1984 Finance Bill. Some of these were announced in the 1983 Budget but, because of the dissolution of Parliament for the General Election, were not enacted last year; others were announced subsequently. Of these proposed changes, those which have undergone significant modification since they were originally announced are included in the following paragraphs. Those which have undergone little or no modification are not included in the text. But they are marked with an asterisk in Table 4.2 and are described in a Treasury press notice issued on March 13 1984.

Inland Revenue

It is proposed—

to increase the single person's allowance and the wife's maximum earned income relief from £1,785 to £2,005 and the married allowance from £2,795 to £3,155.

to increase the additional personal allowance and widow's bereavement allowance from £1,010 to £1,150.

TAXABLE INCOME BANDS

£	Per cent
0—15,400	30
15,401—18,200	40
18,201—23,100	45
23,101—30,600	50
30,601—38,100	55
over 38,100	60

to increase the age allowance for the single person from £2,360 to £2,490, for the married from £3,755 to £3,955 and the age allowance income limit from £7,600 to £8,100.

to increase the basic rate limit to £15,400.

to increase the width of the 40 per cent band to £2,800, of the 45 per cent band to £4,900 and of the 50 per cent and 55 per cent bands to £7,500.

As a consequence of these changes, the structure of personal tax rates in operation in 1984-85 will be changed as shown in an accompanying table.

It is also proposed—

To abolish the surcharge on an individual's investment income.

To abolish life assurance premium relief in relation to insurance contracts made after March 13 1984.

To increase, with effect from 1985-86, the scales which determine the cash equivalent of car and car fuel benefits of directors and employees whose remuneration is £8,500 or more a year.

To reduce the 25 per cent deduction from earnings and profits of employees and traders working and trading abroad to 12½ per cent for 1984-85 and, to withdraw it altogether with effect from 1985-86.

To withdraw the 50 and 25 per cent deductions from foreign emoluments for all new cases after March 13 1984, to withdraw the 25 per cent deduction from existing cases from April 6 1984 and to phase out the 50 per cent deduction over the five years to 1988-89.

To introduce a composite rate scheme for bank interest paid after April 5 1985 to UK resident individuals.

To raise from £50 to £100 the upper limit on monthly contributions by an employee under an approved savings-related share option scheme.

To extend from three to five years the facility to pay income tax by instalments on unapproved share options granted before April 6 1984 and exercised after April 5 1983.

To exclude farming from the trades which qualify for the Business Expansion Scheme for shares issued after March 13 1984.

To make gains from certain non-qualifying life assurance policies liable to income tax.

To amend the mortgage interest relief rules to ensure that the tax relief limit applies in certain cases where the borrower is changing his main residence.

To extend the relief for secondments to charities.

To make changes in the tax treatment of certain expenses incurred by hon. Members of the House of Commons.

Income tax and corporation tax

It is proposed—

to abolish stock relief in respect of periods of account commencing on or after March 13 1984 with relief up to the end of March only for periods of account extending over March 13 1984.

to reduce the rate of first year allowance for expenditure on machinery and plant to 75 per cent with effect from March 14 1984, to 50 per cent with effect from April 1 1985 and to nil with effect from April 1 1986.

to reduce the rate of initial allowance for expenditure on industrial buildings and assured tenancies to 50 per cent with effect from March 14 1984, to 25 per cent with effect from April 1 1985 and to nil with effect from April 1 1986.

to provide for the tax treatment of certain grants payable under Northern Ireland law.

to restrict the application of Schedule B, where the land is not managed on a commercial basis, in connection with a trade.

to amend the limits relating to friendly society life assurance business.

Income tax, corporation tax and capital gains tax

It is proposed to extend reliefs to income and capital gains of certain housing associations in Northern Ireland.

Income tax and capital gains tax

It is proposed to bring within the charge to capital gains tax instead of income tax the benefits accruing to directors and employees from certain share options granted after April 5 1984.

Corporation tax

It is proposed—

to fix the main rate of corporation tax as follows: for the financial year 1983—50 per cent; for 1984—45 per cent; for 1985—40 per cent; for 1986—35 per cent;

for the financial years 1983 to 1986 inclusive to fix the "small companies" rate of corporation tax at 30 per cent.

to extend from two to six years the period for which "surplus" advance corporation tax may be carried back and set against corporation tax.

to extend (subject to certain conditions) consortium relief to consortia with more than five members, and in which there are some non-resident members.

Corporation tax and capital gains tax

It is proposed—

to exempt capital gains on certain issues of corporate fixed interest stock held for more than twelve months.

to extend the present treatment of traded options in shares to other traded options.

Oil taxation

It is proposed—

to abolish repayment of advance corporation tax where a deduction for petroleum revenue tax reduces the amount of corporation tax available for set off.

to provide new rules for petroleum revenue tax appraisal and exploration reliefs, capital gains tax and capital allowances on transfers of licence interests ("farm-outs"): and to make other minor amendments.

to introduce powers to obtain information about transactions in United Kingdom oil for the purposes of market valuations for petroleum revenue tax.

Capital gains tax

It is proposed—

to increase the annual exempt amount in line with the increase in the retail prices index so that for 1984-85 an individual will be exempt on the first £5,600, and most trusts on the first £2,800, of capital gains.

to abolish the former rollover relief for transfers of property into heritage maintenance funds.

Development land tax

It is proposed—

to increase the annual exempt amount from £50,000 to £75,000.

to defer the charge on a deemed disposal arising on a development for the owner's use which is started at any time (instead of before April 1 1984 as at present), and to extinguish any deferred liability that has not become chargeable within 12 years of the start of the development.

to exclude from charge deemed disposals made by the Housing Corporation and registered housing associations.

Capital transfer tax

It is proposed to introduce new rate schedules for both death and lifetime transfers as shown in the accompanying table.

It is also proposed to amend the provisions relating to settled property.

Stamp duties

It is proposed—

to reduce, effectively from 13 March, 1984, to 1 per cent the duty on conveyances and transfers on sale.

to raise, also effectively from 13 March, 1984, the level above which transfers of property (other than stocks and shares) are liable to stamp duty from £25,000 to £30,000, and to abolish the ½ per cent reduced rate band.

to amend the law, also effectively from 13 March, 1984, relating to the sale of houses at a discount under the "Right to Buy" scheme.

to amend the law, with effect from 20 March, 1984, so as to end certain devices for avoiding stamp duty on sales of land and houses.

Customs and Excise

Value added tax

It is proposed that from May 1 1984 the standard rate of VAT will apply to hot take-away food and drink. Group 1 of Schedule 5 to the Value Added Tax Act 1983 will be amended accordingly.

It is proposed that from June 1 1984 the standard rate of VAT will apply to all alterations to both buildings and civil engineering works. It is further proposed, also from June 1 1984, that the erection of such buildings as sheds and greenhouses in private gardens will become liable at the standard rate as will the supply of certain goods as fixtures in new buildings. Group 8 of Schedule 5 to the Value Added Tax Act 1983 will be amended accordingly.

It is proposed to withdraw postponed accounting for VAT on imports and the similar arrangements for goods supplied in warehouses from October 1 1984. Amending Regulations will be made under powers in the Value Added Tax Act 1983.

It is proposed to increase the registration and deregistration limits by Order made under Schedule 1, paragraph 12 of the Value Added Tax Act 1983. From March 14 1984 the registration limits will become £18,700 per annum and £6,200 per quarter. From June 1 1984 the deregistration limits will become £17,700 per annum where estimated future turnover is concerned and £18,700 per annum where past turnover is concerned.

Alcoholic drinks

It is proposed, from midnight March 13-14 1984, to increase:

the rate of duty on spirits from £15.19 to £15.48 per litre of alcohol:

the rate of duty on beer from £21.60 to £24.00 per hectolitre and the charge for each additional degree of original gravity above 1030 per hectolitre from £0.72 to £0.80;

the rate of duty on cider and perry from £9.69 to £14.28 per hectolitre. It is also proposed to reduce the maximum strength limit for cider and perry from "less than 8.7 per cent of alcohol by volume" to "less than 8.5 per cent."

It is proposed, from midnight March 13-14, 1984, to change the rates of duty on wine by the following amounts per hectolitre:

Still wine of an alcoholic strength:

less than 15 per cent: from £113.00 to £90.50;

not less than 15 per cent but not exceeding 18 per cent: from £145.90 to £157.50;

exceeding 18 per cent but not exceeding 22 per cent from £171.70 to £183.30;

exceeding 22 per cent: £183.30 plus £15.48 (instead of £15.19) for every 1 per cent, or part of 1 per cent, in excess of 22 per cent.

Sparkling wine of an alcoholic strength of less than 15 per cent from £113.00 plus a surcharge of £24.90 to a single rate of £149.40.

Sparkling wine of an alcoholic strength of 15 per cent and above will bear the same rates of duty as still wine.

It is proposed, from midnight March 13-14 1984 to align the rates of duty on made-wine to the rates of duty on wine.

Hydrocarbon oil

It is proposed from 6 pm on March 13 1984 to increase:

—the rate of duty on light hydrocarbon oil from £0.1630 to £0.1716 per litre;

—the rate of duty on heavy hydrocarbon oil for use as road fuel from £0.1382 to £0.1448 per litre.

The duty on petrol substitutes and spirits used for making power methylated spirits is charged at the same rate as on light hydrocarbon oil, and aviation gasoline and gas for use as road fuel are charged at half the rate on light hydrocarbon oil.

It is proposed, from 6 pm on March 13, 1984, to abolish the duty on rebated kerosene (including "paraffin") other than aviation turbine fuel. The rate was £0.0022 a litre.

Tobacco

It is proposed, from midnight March 15-16 1984, to increase:

—the specific element in the duty on cigarettes from £21.67 to £24.97 per 1,000 cigarettes (the ad valorem element remaining unchanged);

—the duty on cigars from £40.85 to £47.05 per kilogram;

—the duty on hand-rolling tobacco from £35.40 to £40.60 per kilogram.

Gaming licence duty

It is proposed to adjust the rates of gaming licence duty in respect of licence periods beginning on or after April 1 1984. The advance payment will remain at £250, but the second payment, to be made up to five months after the licence period, will be a proportion of the gross gaming yield (stakes less winnings) in each six-monthly period as follows:

2½ per cent of the first £375,000, plus

12½ per cent of the next £1,875,000, plus

25 per cent of the next £2,250,000, plus

33⅓ per cent of the remainder of the gross gaming yield.

Vehicle Excise Duty

It is proposed to increase the excise duty on mechanically-propelled vehicles other than goods vehicles, chargeable under Section 1 of the Vehicles (Excise) Act 1971 and under Section 1 of the Vehicles (Excise) Act (Northern Ireland) 1972 by about 6 per cent. This figure is broadly descriptive.

The duty on most cars and light commercial vehicles will rise by £5 to £90. The rates of duty on some 277,000 light goods vehicles at the lower end of the duty scales will be reduced by up to 13 per cent, but for some 150,000 heavier goods vehicles duty will be increased by 7 to 9 per cent. For a small number of goods vehicles there will be larger increases as a result of the change to broader tax bands.

National Insurance Surcharge

It is proposed to abolish from October 1 1984 the surcharge, paid in respect of employees by secondary Class 1 contributors under the provisions of the National Insurance Surcharge Act 1976. Expenditure programmes (excluding local authorities) will be reduced accordingly (See Table 5.1). For local authorities the surcharge will remain at 1 per cent until April 5 1985, and will be abolished thereafter.

DIRECT EFFECT OF CHANGES IN DUTY RATES

(All except VED inclusive of 15 per cent VAT)

Spirits duty	+10p on a bottle of whisky
Beer duty	+2p on a pint of beer of average strength
Wine duty	+18p on a bottle of table wine
Fortified wine duty	+10p on a bottle of sherry
Cider duty	+3p on a pint of cider
Petrol duty	+4½p on a gallon of petrol
Derv duty	+4p on a gallon of derv
Tobacco duty	+10p on a packet of 20 cigarettes
Vehicle excise duty	+£5 on a car licence

DIRECT EFFECTS OF CHANGES IN TAXATION

INLAND REVENUE	Forecast for 1984-85 £m	a full year† £m
Income tax		
Increase in single allowance of £220 and married allowance of £360	−1,615‡	−1,990‡
Increase in additional personal allowance and widow's bereavement allowance of £140	− 20‡	− 20‡
Increase in age allowance of £130 (single) and £200 (married) and income limit of £500	− 80‡	−100‡
Increase in basic rate limit of £600 to £15,400	− 45‡	− 75‡
Increase in further higher rate thresholds	− 35‡	− 65‡
Abolition of investment income surcharge	− 25‡	−360‡
Abolition of life assurance premium relief for new policies	+ 90	+180§
Fringe benefits—car and car fuel scales	Nil	+ 35¶
Withdrawal of relief from foreign earnings	+ 15	+ 60‖
Withdrawal of relief from foreign emoluments	+ 7	+ 15**
Composite rate scheme for bank interest	Nil	††
Increase in limit on contributions to savings-related share option schemes	Nil	‡‡
Extension of instalment period for unapproved share options granted before April 6 1984	Negligible	− 5
Exclusion of farming from the "Business Expansion Scheme"	Negligible	Negligible
Minor life assurance changes	Negligible	Negligible
Application of mortgage interest relief limit—bridging loans	Negligible	Negligible
Employee secondments to charities	Negligible	Negligible
Expenses of Members of Parliament	Negligible	Negligible
*Extension of mortgage interest relief to certain borrowers	− 6§§	− 5
*Limit for assessment of apportioned income	Negligible	Negligible
*Capital and income bonds	Nil	Nil
*Offshore life assurance	Nil	Nil
*Relaxation of interest relief for employee buy-outs	− 1§§	− 2
*Fringe benefits—scholarships	Negligible	Negligible
Income tax and corporation tax		
Abolition of stock relief	Nil	+500¶¶
Reduction in rate of first year allowance for machinery and plant	Nil‖‖	+375¶¶‖‖
Reduction in rate of initial allowance for industrial buildings and assured tenancies	Nil‖‖	+ 15¶¶‖‖
Further reductions in rates of first year and initial allowances	Nil	a
Northern Ireland corporation tax relief grant and other grants	Negligible	− 2
Application of Schedule B	Negligible	− 2
Limits relating to friendly society life assurance	Negligible	Negligible
*Extension of stock relief for house-builders for 1983-84	Negligible	− 1
*Payment of Eurobond interest without deduction of tax	Negligible	− 2
*Offshore and overseas funds	Negligible	+ 60b
*Allowances for cars leased to recipients of mobility supplements	Negligible	Negligible
Income tax, corporation tax and capital gains tax		
Relief for housing associations in Northern Ireland	Negligible	Negligible
*Reliefs for furnished holiday lettings	− 2	− 5
*Deep discount securities	Negligible	− 15c
Income tax and capital gains tax		
Changes in employee share option reliefs	Nil	d
Corporation tax		
Reduction in main rate for financial year 1983	−190	−330e
Reduction in main rate for financial year 1984	Nil	−1,050e
Reduction in main rate for financial years 1985 and 1986	Nil	a
Reduction in "small companies" rate	− 90	−160
Extension of carry back period for advance corporation tax	− 1	− 30f
Extension of consortium relief	Negligible	− 10g
*Treatment of TSB's as bodies corporate	Nil	− 5
*Relief for discounts etc on bills of exchange	Negligible§§	− 1
*Incidental costs of obtaining loan finance	Negligible	Negligible
*Change in arrangements for setting off advance corporation tax and double taxation relief	Negligible	− 5
*Provision against avoidance through group relief	Negligible	+ 10g
*Charge to tax in respect of controlled foreign companies	Nil	+ 25h
Corporation tax and capital gains tax		
Exemption of certain corporate fixed interest stock	Negligible	Negligible
Oil taxation		
Abolition of ACT repayments	+100	+150i
New rules for farm-outs and minor changes	Nil	+ 35j
Capital gains tax		
Indexation of annual exempt amount	Nil‡	− 15‡k
Abolition of roll-over relief for maintenance funds	Negligible	Negligible
*Increase in limit for retirement relief	− 4	− 10
*Increase in other monetary limits	Negligible	− 1
*Relief for transactions through overseas bank accounts	Negligible	Negligible
*Deferment of payment of tax assessed on beneficiaries of non-resident trusts	− 3	Negligible l
*Other changes	Negligible	Negligible
Development land tax		
Increase in annual exempt amount	− 1	− 9m
Deferment of the charge on deemed disposals	− 1	− 4
Relief for housing associations etc	Negligible	Negligible
*Extension of instalment period	Negligible	Negligible
*Disposals by non-residents	+ 2	+ 2
Capital transfer tax		
Increase in thresholds and changes in bands	− 19‡	− 49‡
Other changes	Negligible	Negligible
Stamp duties		
Reduction in rates and increase in threshold	−450n	−460n
Sales of houses at a discount	Negligible	Negligible
TOTAL INLAND REVENUE	−2,375o	−2,925o
CUSTOMS AND EXCISE		
Value added tax		
Increase in registration limits	Negligible	Negligible
Withdrawal of certain zero-rates	+375	+650p
Withdrawal of postponed accounting for imports	+1,200	Nilq
Excise duties		
Increase in registration limits etc.	+225	+225
Increase in rate of duty on heavy oil for use in road vehicles	+ 45	+ 45
Removal of duty on kerosene	− 5	− 5
Increases in rates of tobacco products duties	+330	+340
Increase in rate of spirits duty	+ 10	+ 10
Increases in rates of beer duties	+175	+180
Changes in rates of wine and made-wine duties	− 60	− 60
Increase in rate of duty on cider and perry	+ 15	+ 15
Changes in gaming licence and *gaming machine licence duties	− 5	+ 5
TOTAL CUSTOMS AND EXCISE	+2,305	+1,405
Vehicle excise duty		
Changes in rate of duty	+110	+110
National Insurance surcharge		
Abolition	−335r	−865r
Other		
Bus fuel grants	− 5s	− 5s
TOTAL CHANGES IN TAXATION	−300o	−2,280o

* Items so marked were announced before Budget Day.

† The direct effects of tax changes are generally estimated by applying the new and old tax rates and allowances to the taxable income and expenditure expected in the economic forecast, in certain cases including estimates of the immediate effects of the changes on taxpayers' behaviour. For example, the estimates for Customs and Excise duties allow for the effects of relative price changes on the composition of consumers' expenditure; these for taxes on profits now allow for changes in investment behaviour following from the changes in capital allowances and stock relief; and those for stamp duties now allow for changes in the volume of transactions following from changes in rates.

‡ Taxes subject to statutory indexation. The table below shows the direct revenue effects of indexing the income tax main allowances and thresholds, the capital gains tax exempt amount and the capital transfer tax threshold and bands by reference to the increase in the general index of retail prices between December 1982 and December 1983 (5.3 per cent), rounded in accordance with the statutory provisions, together with the costs of the proposed changes on top of indexation:

	Direct Revenue Effects Indexation 1984-85	Full Year	Proposed changes on top of indexation 1984-85	Full Year (£ million)
Income tax				
Main allowances	−800	−980	−915	−1 130
Basic rate limit	−45	−75	0	0
Further higher rate thresholds	−35	−65	0	0
Investment income surcharge	Negligible	−20	−25	−340
Total income tax	−880	−1 140	−940	−1 470
Capital gains tax				
Exempt amount	Nil	−15	Nil	Nil
Capital transfer tax				
Thresholds and bands	−16	−40	−3	−9

§ The full year yield is the amount of relief which would have been due on a full year's premiums for policies commencing in 1984-85. The eventual effect will be substantial (the cost of premium relief in 1983-84 was £700 million).

¶ Effective from 1985-86; the yield in 1985-86 will be £30 million.

‖ Withdrawal of the relief will be fully effective from 1985-86; the yield in 1985-86 will be some £55 million.

** Withdrawal of the relief will be completed by 1989-90; the eventual yield will be some £100 million.

†† The composite rate scheme is designed to collect tax, which, taking one year with another, is equivalent to the normal basic rate tax liability of all depositors concerned. Deduction at source will however ensure that the full amount of tax due is collected, including tax which for one reason or another is not collected under present arrangements. This should mean some additional Exchequer yield, although this cannot be quantified. On the other hand, in 1985-86 there is the possibility of transitional net cash flow loss to the Exchequer mainly because banks will be able to get earlier set off of tax deducted from interest they receive.

‡‡ Costs will not arise until 1989-90. The yield from taxation of gains arising in respect of rates of contribution in 1984-85 above the previous limit might approach £5 million.

§§ Includes some delayed costs for 1983-84

¶¶ Represents the difference, at the pre-Budget rates of corporation tax, between the effect of the relief or allowance on tax liability in 1984-85 before the change (that is, at the levels of stocks and fixed capital formation expected before the change) and the effects on tax liability after the change (that is, at the levels of stocks and fixed capital formation expected as a result of the change).

‖‖ Effect after taking into account the abolition of stock relief.

a The changes in tax liabilities in later years resulting from the proposed further reductions in the main rate of corporation tax will be affected by the proposed further reductions in capital allowances. The precise net effects of the combined changes will depend on the levels of profits and investment at the time.

b Based on the estimated holdings by UK taxpayers in the funds in September 1983.

c Effect on tax liabilities for 1984-85: over a period of years there will be some deferment of tax liabilities. This estimate is highly uncertain.

d Highly uncertain, since revenue effects depend upon exercise of options and their value. The cost in respect of 1989-90 (the first year in which qualifying options granted in 1984-85 could be exercised) might be some £35 million.

e Represents the difference between tax at the pre-Budget rates for financial year 1982 (52 per cent and 38 per cent) and the tax at the rates proposed on the chargeable profits now expected in 1984-85. The amounts covered by this footnote and footnote (¶¶) above broadly represent, in total, the difference between the tax liabilities in respect of 1984-85 (in both cases including the second-round effects on the level of profits) expected before and after the changes in rates of corporation tax, stock relief and capital allowances.

f Tax liabilities for accounting periods ending in 1978-79 and later will be reduced. The cost in 1985-86 is tentatively estimated at £30 million, and there will be some continuing costs thereafter.

g These estimates are highly uncertain.

h The yield will be some £25 million in 1985-86, building up to £100 million in later years.

i This figure is very uncertain as it depends on companies' future distribution policy.

j This figure is very uncertain, as it will depend on the level of future farm-outs. Protection against a possible substantial loss of PRT through acceleration of reliefs for past expenditure was also announced on 13 September 1983.

k The cost in 1985-86 will be £5 million.

l Payment of some £35 million due in 1983-84 will now be deferred.

m The cost in 1985-86 will be £4 million.

n The estimated duty on additional transactions expected to follow from the reduction of the rate is taken into account. It is subject to a wide margin of error.

o Components will not necessarily sum to the totals because of rounding. In the full year, no figures are included for the changes covered by footnotes (††), (‡‡), (a) and (d) above.

p The yield from withdrawing the zero rate from hot food and drink is £125 million in 1984-85 and £200 million in a full year: the yield from withdrawing the zero rate from building alterations is £250m in 1984-85 and £450 million in a full year.

q There will be a continuing reduction of Government debt interest.

r Figures exclude public sector payments of £120 million in 1984-85 and £485 million in a full year. Public expenditure will be reduced accordingly.

s Bus fuel grants are included in the figures for excise duties.

Development Land Tax

Exempt amount lifted to £75,000

THE Inland Revenue yesterday issued the following details of changes the Chancellor proposed in his Budget to the development land tax code:

● The annual exempt amount is to be increased from £50,000 to £75,000.

● Where the development is for an owner's own use the time limit will be removed.

● The Housing Corporation and registered housing associations will be given further relief from the tax.

● A number of other changes proposed in the Finance Bill 1983, but later withdrawn, will be reintroduced. Deferred liability not payable within 12 years following deferment is to be extinguished. Tax may be paid in 10 annual instalments rather than 8, but not half-yearly. The machinery for collecting development land tax when land in the UK is sold by a non-resident will be improved.

Annual exemption:

The first £50,000 of development value realised in a financial year is exempt from the tax. This amount is to be increased to £75,000, the increased exemption to apply from April 1 1984.

Development for own use:

Liability for the tax may be deferred when, for instance, the development is for an industrialist's own industrial use or by statutory undertakers (eg gas or electricity undertakings) for their own operational purposes. In 1981 the deferment facility was extended to any development for the owner's own use, provided the development was started before April 1 1984. The time limit has now been removed.

Alterations to deferred liability:

Where a liability which has been deferred under any of the above provisions becomes payable for reasons other than an *actual disposal of an interest in* land, the chargeable person is required to notify the Inland Revenue. This obligation to notify is now to be extended to any event which triggers the deferred liability. The change *will apply as from* Budget Day.

Liability which has been deferred under any of the above provisions becomes payable when the property ceases to be used for the qualifying purpose. It is now proposed that this *contingent liability shall have* a time limit of 12 years from the start of the development, after which if the tax has not become payable the liability ceases.

Housing associations

Tax liability on development by the Housing Corporation or by a registered housing association is deferred until a subsequent disposal (eg, a sale or a lease) of the developed land. These bodies are now relieved of such liability, the change to apply to disposals on or after Budget Day.

Payment by instalments

In certain circumstances, eg following the start of development or the grant of a lease, tax may be paid in eight annual or 16 half-yearly instalments. The number of annual instalments in which tax may be paid is to be increased to 10 and the facility to pay by half-yearly instalments withdrawn.

The change will apply to disposals on or after August 6 1983 but the half-yearly instalments option will continue to be available until this provision becomes law.

Disposals by non-residents

A person who acquires *development land in the UK* from a non-resident is required to withhold 50 per cent of the consideration on account of the vendor's development land tax liability, although in particular cases the Revenue may agree exceptions to this rule. It is now proposed to reduce the rate of deduction to 40 per cent.

The revised deduction scheme will operate with effect from August 6 1984.

CENTRAL GOVERNMENT TRANSACTIONS

	1983-84 Budget forecast	1983-84 Latest estimate	£bn 1984-85 Forecast
Receipts			
Taxes	81.5	82.5	89.4
National insurance etc., contributions	21.2	21.4	23.0
Other	9.4	9.4	10.2
Total	112.1	113.3	122.7
Expenditure			
Current expenditure on goods and services*	40.4	40.6	43.5
Current grants and subsidies	62.4	63.4	66.1
Interest	11.8	12.8	13.9
Net lending and capital expenditure	10.3	9.8	10.2
Unallocated†	−1.3	—	—
Total	123.6	126.7	133.7
Central Government Borrowing Requirement	11.5	13.4	11.1
of which:			
for on lending to local authorities and public corporations	4.2	5.4	5.8
Own account	8.5	8.0	5.3
Unallocated†	−1.3	—	—

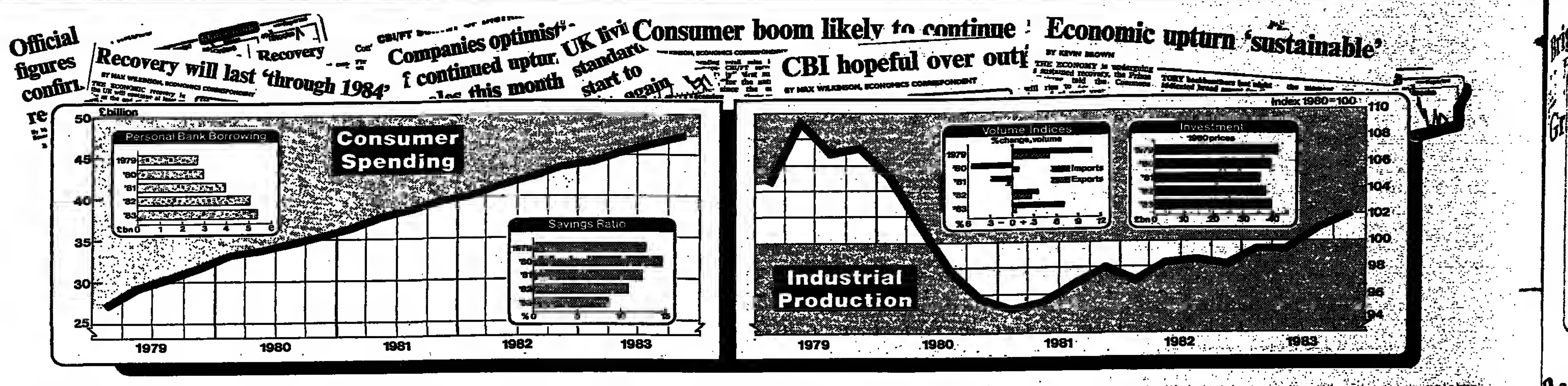
* Includes capital consumption.
† Includes the Contingency Reserve, special sales of assets and general allowance for shortfall which were unallocated in last year's Budget forecast.

Change in VAT import accounts

IT IS PROPOSED to withdraw the present arrangements for postponed accounting for VAT on imports from October 1 this year, said the Chancellor.

Under the new arrangements, which will affect about 50,000 regular importers, VAT-registered businesses will be required to pay VAT due on imports either at the time and place of entry or by direct debit (covered by bankers' guarantee) on the 15th of the following month (that is, on average one month after the goods have come into the country).

THE BUDGET: Details



Growth in GDP forecast to continue at 3% in short term

The financial statement published yesterday outlined short-term prospects for the period to mid-1985. It said:

Summary

Activity in total has been rising since the first half of 1981. The 3 per cent growth rate estimated for 1983 was sufficient to bring about some recovery in employment but not so far a fall in unemployment. There was a further fall in inflation and rise in profitability in 1983, despite slightly faster growth in import prices.

This forecast of the UK economy to mid-1985 is based on the monetary and fiscal policies specified in the Medium Term Financial Strategy. The effective exchange rate is assumed not to change. These assumptions are consistent with a rise in money GDP of 8 per cent in 1984.

Inflation rates have again fallen more quickly than generally expected. Competitive pressures at home and abroad have continued to exert a strong downward influence on prices and costs. A slow downward trend in UK inflation is expected, with RPI growth forecast at 4½ per cent at the end of 1984 and 4 per cent by mid-1985.

The growth in GDP is forecast to continue at 3 per cent in 1984, with growth of exports and company spending, especially fixed investment, outpacing a further rise in consumer spending. The growth in domestic demand reflects mainly rises in real income for both persons and companies. Employment should continue to rise.

Output is now rising again in the main industrialised countries, led by the U.S. In many developing countries, rises in export volumes and commodity prices and earlier cutbacks in imports have helped to ease financing problems. For the world economy as a whole, a period of growth in activity combined with rising profits and no more than moderate inflation is in prospect.

With the UK, economy and other major economies expected to expand together, and with no major changes forecast for commodity prices, the balance of payments should remain in surplus. A growing contribution is expected from trade in services and from income accruing from the build-up of overseas assets.

The world economy

The rapid recovery of the U.S. economy has slowed a little but there is increasing evidence of an upturn in Japan and Europe. Inflation remains low, above all in the U.S., Germany and Japan. A fall in Opec imports depressed world trade last year in spite of large rises in imports into North America. But by the second half of 1983 total world imports may have been 4 per cent higher than a year earlier.

Output growth in the U.S. at the end of 1983, though less than in the previous half-year, was sufficient to keep unemployment falling. In Europe output was increasing by the end of last year, after two years of stagnation, but unemployment is still rising. The U.S. recovery is expected to moderate while the European recovery should strengthen. Growth in the developed world as a whole may average 3-4 per cent in 1984 and the first half of 1985.

Inflation in the major six economies has fallen further and now averages about 4½ per cent (compared with 10 per cent in 1981). With no major changes in fiscal or monetary policies assumed, and with high levels of spare capacity in many countries, little change is forecast in inflation: further falls in Europe may be offset by a slight rise in the U.S.

Reductions in imports by non-oil developing countries seem largely to have ended by early last year. Improvements in export revenues helped by higher prices of many commodities should allow some recovery in imports. In Opec countries, however, the falls in both price and volume of oil exports reduced income further and led to a large drop in imports in 1983. With export revenues likely to remain low, import growth is likely to be slow over the next year or so.

The accompanying table shows how the strong rise in imports into the U.S. in 1983 was offset by developments elsewhere. One table covers all goods: growth of UK markets in manufactures is shown in the other table.

Commodity prices (other than oil) rose 10 per cent more than the general rate of inflation between the end of 1982 and the third quarter of 1983. More recently there have been signs of levelling out. Industrial materials may continue to increase in price relative to other goods but if there is a normal harvest this year—following 1983's poor harvest—food price increases should be lower than the average inflation rate. The oil price may not change substantially io nominal terms, and could fall further in real terms.

The forecast for the world economy is summarised in the accompanying table.

The exchange rate and the balance of payments

For the purpose of this forecast it is assumed that the effective exchange rate will be near to its average last year. The prospect for inflation, which takes account of this assumption about the exchange rate, suggests that over the forecast period there will not be any substantial difference between inflation rates in the UK and in the average of our major competitors. On this basis cost and price measures of competitiveness may change little over the forecast period following the recovery that occurred in 1982 and 1983.

The UK's terms of trade have changed little since the end of 1980. The 17 per cent fall in the effective exchange rate over this period has been offset by UK importers cutting their margins from unusually high levels and, in 1981 and 1982, by low world commodity prices. The terms of trade are not expected to change much over the next year or so. By the last quarter of 1984 both import and export prices may be 4-5 per cent higher than a year earlier. This compares with increases of about 8 per cent in 1983.

Total export volumes were little changed in 1983, after growing 1½ per cent in 1982. Over the last two years, exports of fuels have grown rapidly, while exports of goods and services other than fuels have not changed greatly. Exports of manufactures changed little between 1981 and 1983, when world trade fell by an estimated 1½ per cent and relative costs regained some of their earlier deterioration.

For the non-oil economy as a whole, there have been large fluctuations, due in part to the commodity price boom of 1973-1974 and fluctuations in the exchange rate, but no pronounced trend in import penetration measured in value terms. The rise in the volume share has been offset by gains from the terms of trade. For tha non-oil economy as a whole, the rise in volume terms has been much less than for manufacturing, partly because of a shift in demand and output away from manufacturing and, partly because of unchanged or lower import propensities in some other sectors (including food and services).

Domestic demand for manufactures grew strongly in 1983 mainly reflecting a rise in consumer durables, a turnround in stocks and a recovery in fixed investment. The volume of imports of manufactures grew by 12 per cent, UK producers continuing to lose share in the domestic market. In some areas such as cars, where home demand was buoyant, export deliveries fell for a period in 1983. Imports of fuels fell further.

Prospects for export growth depend mainly on continued growth in world trade in manufactures, which may be of the order of 5 per cent in 1984. In addition, the recovery in price and cost competitiveness in 1982 and 1983 may contribute a little to the growth in exports. Recent indicators of an improved trend include recent trade figures—exports of goods in the three months to January were 5½ per cent higher by volume than in the preceding three months—and the CBI surveys indicating continuing optimism on export orders. Total exports of goods and services are expected to be abont 5 per cent higher in 1984 than in 1983.

Domestic demand for manufactures is expected to grow strongly in 1984, though possibly by less than in 1983. There may be some fall in the growth of imports of manufactures. Total imports of goods and services may grow slightly faster than in 1983, given the unusually low levels of imports of fuels and services in 1983.

Domestic demand expanded faster in the UK than in most other countries in 1983 and so, despite e further rise in oil production, UK imports rose faster than exports and the surplus on the current account of the balance of payments fell from £5¼bn in 1982 to an estimated £2bn in 1983.

With the strengthening of the world recovery, the balance of trade in manufactures can be expected to decline less in 1984 than in 1983. Part of this decline should be offset by upward trends in net trade in in other goods and services. In addition there should be higher earnings from interest, profits and dividends helped by the growth in UK assets abroad and by the strengthening of the world recovery. Overall, the current account is expected to remain in moderate surplus in 1984 and the first half of 1985.

The current account surpluses recorded in the period 1980-83 have contributed, along with asset and currency revaluations, to a sharp rise in the value of the UK's net holdings of foreign assets: from about £15bn (7 per cent of GDP) at end 1979 to perhaps £48bn (16 per cent of GDP) at end 1983 (though the latter figures in particular are subject to a wide margin of error).

Inflation

Inflation rates fell during 1983 to their lowest levels since the late 1960s. The 12-monthly increase in the Retail Prices Index dropped below 4 per cent in the Spring—partly reflecting factors such as good harvests and falls in the mortgage rate—and the average level of prices for the year as a whole was up only 4.6 per cent on 1982. In January 1984 the RPI was 5.1 per cent higher than a year earlier; the Tax and Price Index, which takes account of the direct tax reductions in the 1983 Budget, was 4.2 per cent np on a year earlier.

There were some upward pressures on inflation in 1983, notably from the fall in sterling in late 1982 and early 1983 and the recovery in world commodity prices. Nevertheless, the rise in prices continued to be limited by competitive pressures both domestic and international. Substantial increases in labour productivity, reductions in the National Insurance Surcharge and a slight further alowdown in earnings growth enabled producers to widen profit margins while holding most domestic price increases at around the 5 per cent level. The accompanying table shows changes in the main components of the RPI.

By the end of 1983 there were clear signs of the rise in commodity prices easing, and with the effective exchange rate not changing much. UK import prices increased only 1 per cent between the second and fourth quarters. Labour costs were still rising slowly by the end of 1983, reflecting continued growth in productivity especially in manufacturing.

High rates of productivity growth contributed to the combination in 1983 of a low rate of increase in unit labour costs and an increase in real earnings. Wage settlements in the year to August 1983 generally averaged 5 to 6 per cent, giving rise to an increase in earnings in the whole economy of about 7 to 8 per cent, the difference reflecting changes in hours worked, productivity deals, bonus payments, and other factors including measurement errors. With price rises well below the increase in average earnings and tax reductions in the 1983 Budget, there was e rise of about 3 per cent in the average level of real take home pay.

Since 1982 real after-tax earnings of the average employee have been rising, while the real unit cost of labour to the employer has been falling, as a result of productivity growth and cuts in the National Insurance Surcharge. These trends should continue over the forecast period. But they follow a period in which real wages rose at the expense of profits (particularly in 1979 and 1980) and so contributed to the sharp rises in unemployment.

Most of the effect on UK prices of the 1982-83 fall in sterling and the rise in commodity prices has already been felt. As a result external cost pressures in 1984 are likely to be less than in 1983.

Increases in labour productivity and the abolition of the National Insurance Surcharge during the year will offset part of the rise in earnings and may hold the rise in unit labour costs to 4 per cent or less. Some further increase in profit margins is likely as demand remains buoyant both at home and overseas, but competitive pressures will continue to restrain prices. Price inflation as measured by the GDP deflator may be under 5 per cent in 1984-85 as a whole. After allowing for the budget measures, the annual rate of increase in the RPI may stay a little above 5 per cent for the first half of 1984, before falling to 4½ per cent by the fourth quarter. A slowdown during 1984 is expected in the rate of increase in food and most private sector prices; while the nationalised industries' component shohuld continue to rise more slowly than prices in general (see Table 3.3). The slow downward trend in inflation is forecast to continue in 1985.

Demand and activity

Latest estimates continue to point to a growth of about 3 per cent in activity between 1982 and 1983. The different GDP measures are currently telling rather different stories. The output measure is probably the most reliable indicator of quarter to quarter changes while a simple average of the three is used in the assessment of longer-term activity movements in this forecast. There is, however, evidence that initial estimates of all three measures of GDP (and hence tha average measure) have tended to understate increases in activity.

The growth in GDP since the trough in 1981 has reflected a recovery in domestic demand. The rundown in stocks eased in the second half of 1981 and subsequently. The low point for fixed investment was in the second half of 1981: since then both public and private investment have risen at about 5 per cent a year in 1982 and 1983. Consumers' expenditure rose by 3½ per cent in 1983, continuing the recovery which started in mid-1982. Helped by lower than expected inflation, public spending on goods and services rose by over 3 per cent in volume terms in 1983.

By the end of 1983 total real personal disposable income had regained its 1980 level, as real increases for those in work combined with a levelling out and then a rise in employment. Up to the first half of 1982, consumers reduced their rate of saving and maintained their level of current spending broadly flat. From mid-1982, with the first signs of real income recovering, and as falls in inflation and interest rates contributed to higher consumer confidence, consumer spending (particularly on durables) rose quite rapidly. Over the period as a whole the rise in expenditure was accompanied by a fall in the personal saving ratio from 14½ per cent in 1980 to about 9½ per cent in 1983. Chart 3.6 shows income and consumption.

A sharp increase in borrowing by the personal sector from banks, building societies and HP companies financed the reduction in the saving ratio. Lower inflation and the increased real value of capital assets have led to consumers saving less while maintaining the real value of their wealth.

Lending by banks to the personal sector, much of it on mortgage terms, has been growing by about 33 per cent per year and has become the major growth area in banks' portfolios. It could be some time before persons and financial institutions adjust fully to changes in the credit environment and persons' debt income ratios may continue to rise, though perhaps more slowly.

On the basis of further increases in real take-home pay and in employment and taking into account the effect of the budget measures, real personal disposable income may rise by up to 3 per cent in 1984. While further increases are expected in non-durable consumption, the very fast growth of durables expenditure is likely to moderate. The usual tendency of the saving ratio to rise when real incomes recover may be offset by the continuing effects of lower inflation. Personal sector investment in new housing is expected to continue to rise in 1984.

Company profits improved markedly last year, reflecting increases in both profit margins and turnover. Trading profits of industrial and commercial companies (net of stock appreciation) were probably about a quarter higher in 1983 than in 1982. Tax payments lagged behind the rise in incomes, and interest payments fell slightly so that disposable incomes have risen strongly.

Provisional estimates suggest that retained profits, or savings, of industrial and commercial companies increased by nearly half last year. Company expenditure on stocks and investment remained relatively subdued in 1983 but is now expected to increase more strongly following this rise in company incomes.

Recent surveys suggest that the period of destocking in industry may now have ended, but that firms are not planning the sizeable increases in stocks often seen at this stage of the cycle. The forecast assumes little change in the stock-output ratio in manufacturing. In the distributive sector, some rebuilding of stocks seems likely given the sharp fall in stock-sales ratios following the recent strong recovery in retail demand.

The growth in business fixed investment during 1983 was concentrated in the distribution and service sectors of the economy, reflecting the growth in output. In the North Sea, there was a (probably temporary) fall-off about a quarter. Recent surveys point to a marked recovery in manufacturing investment in 1984, already beginning to turn round by the end of 1983, and a continuation of the growth of investment in distribution and services. The volume of fixed investment by non-North Sea industrial and commercial companies is forecast to increase by about 10 per cent in 1984 and to increase further in 1985. This forecast takes account of the budget measures, especially the proposed corporate tax changes, the net effect of which is expected to be an increase in investment for a time.

This growth in expenditure, together with a further rise in dividends and a slower growth of profits, is expected to lead to a fall in the company sector's financial surplus from the apparently high levels in 1983. Because of the large balancing item in the company sector accounts, it is unclear what this implies for borrowing by companies, but some increase in bank lending to companies seems likely. By the end of 1983 the company sector's gross liquidity ratio was high by most standards—partly for cyclical reasons—and may remain so.

FORECASTS OF EXPENDITURE, IMPORTS AND GROSS DOMESTIC PRODUCTS*

£bn at 1980 prices, seasonally adjusted

	Consumers' expenditure	General government consumption	Total fixed investment	Exports of goods and services	Change in stocks	Total final expenditure	Less imports of goods and services	Less adjustment to factor cost	Plus statistical adjustment	GDP at factor cost	GDP index 1980=100
1979	138.0	47.8	41.4	63.3	2.5	292.8	89.8	31.5	1.3	202.7	102.6
1980	137.3	48.4	39.2	63.2	−3.2	284.9	87.4	30.9	1.0	197.6	100.0
1981	137.6	48.3	35.6	61.9	−2.7	280.7	85.5	30.0	−0.4	194.8	98.6
1982	138.6	48.9	37.6	62.8	−1.0	287.9	87.6	30.9	−1.0	198.5	100.5
1983	144.7	50.2	39.3	63.2	0.6	298.0	90.4	32.1	−1.4	204.2	103.3
1984	149.6	50.0	41.8	66.3	1.4	309.2	94.7	33.0	−1.0	210.5	106.5
1982 First half	68.8	24.3	18.5	31.7	0.3	143.7	43.1	15.4	−0.1	99.9	100.1
Second half	70.1	24.6	19.1	31.1	−1.3	144.3	44.4	15.6	−0.7	99.6	100.9
1983 First half	71.5	25.2	19.5	31.4	0.5	148.2	44.6	15.9	−1.2	101.6	102.9
Second half	72.2	25.0	19.8	31.8	0.1	149.8	45.8	16.2	−0.2	102.5	103.8
1984 First half	74.1	25.0	20.7	32.8	0.7	153.3	46.8	16.4	−0.6	104.4	105.7
Second half	75.5	25.0	21.1	33.5	0.7	155.9	32.8	16.7	−0.4	106.1	107.4
1985 First half	76.1	25.1	21.6	34.2	0.8	157.8	23.6	16.8	−0.2	107.2	108.5
% changes:											
1981 to 1982	1½	1½	6	1½		2½	4	3			2
1982 to 1983	3½	2½	4½	0½		3½	5	3½			3
1983 to 1984	3	0	6½	5		3½	7	3			3
1984 First half to 1985 First half	2½	0½	4	4		3	5	3			2½

* GDP figures in the table are based on "compromise" estimates of gross domestic product, reflecting for the past average movements in constant-price expenditure, output and income estimates of GDP. Percentage changes are calculated from unrounded levels and then rounded to half per cent. Totals in £bn may not add due to rounding. Figures beyond 1983 are forecasts.

WORLD IMPORT VOLUME GROWTH (EXCLUDING UK)

Annual per cent changes

	Share of UK exports in 1983	1973-79 average	1981	1982	1983 (est.)
U.S.	14	7	0½	−4	9½
Other industrialised countries	65	3½	−1½	6	2
Opec	10	14½	19	2	−14
Non-oil developing countries	11	6½	7	−6½	−1
Total imports	100	4½	1½	−1	1½

WORLD ECONOMIC PROSPECTS

Per cent changes on a year earlier

	Average 1975-82	1982	1983	1984	1985 1st half
GNP*	3	−0½	2	4	3½
Prices* (consumers' expenditure deflator)	7½	6½	5	4½	4½
World trade in manufactures (weighted by UK markets)	4	−3	1	5	4½

* Major six overseas countries (U.S., Japan, Germany, France, Italy, Canada.

SHORT-TERM ECONOMIC PROSPECTS

	Forecasts	Average errors from past forecasts†
A. Output and expenditure at constant 1980 prices		
Per cent changes between 1983 and 1984:		
Gross domestic product (at factor cost)	3	1
Consumers' expenditure	3	1
General Government consumption	—	1½
Fixed investment	6½	2½
Exports of goods and services	5	2½
Imports of goods and services	7	2½
Change in stockbuilding (as per cent of level of GDP)	0½	0½
B. Balance of Payments on current account £bn:		
1983	2	—
1984	2	2½
1985 first half (at an annual rate)	1	4
C. Public Sector Borrowing Requirement £bn (in brackets per cent of GDP at market prices):		
Financial year 1983-84	10 (3½)	1 (½)
Financial year 1984-85	7¼ (2)	4½ (1½)
D. Retail Prices Index		
Per cent change:		
Fourth quarter 1983 to fourth quarter 1984	4½	2
Second quarter 1984 to second quarter 1985	4	4

† The errors relate to the average differences (on either side of the central figure) between forecast and outturn. The method of calculating these errors has been explained in earlier publications and government forecasts (see Economic Progress Report June 1981). The calculations for the constant price variables are derived from forecasts made during the period between June 1965 and October 1981. For the current balance and the retail prices index, forecasts made between June 1970 and October 1981 are used. For the PSBR, Budget forecasts since 1967 are used. The errors are after adjustment for the effects of major changes in fiscal policy where excluded from the forecasts.

FORECAST AND OUTPUT

	Forecast	Output
RPI: per cent increase between the fourth quarters of 1982 and 1983	6	5
	Forecast	Latest estimate/forecast
Total output: per cent change between 1982 and 1983	2	3
Current account of the balance of payments, £bn	1½	2
PSBR, financial year 1983-84, £bn	8	10

OUTPUT

(1980=100)	1983 I	1983 II	1984 I	1984 II	1985 I
Gross domestic product*	103	104	105½	107½	108½
Manufacturing output	94	96	98	99	100

* Average measure.

OUTPUT PER HEAD

Average annual per cent changes

	1964-73 (peak to peak)	1973-79 (peak to peak)	1979-81	1981	1982	1983 (Estimates)
Manufacturing	4	1	0	3	6	6½
Non-manufacturing (excluding general government and oil)	3½	0	−1½	0½	2½	3

DOMESTIC DEMAND, EXPORTS AND SUPPLY

Per cent changes on a year earlier

	1983	1984	1985 First half
Domestic demand	4½	2½	2½
Exports of goods and services	0½	5	4
Imports of goods and services	5	5	3
Domestic production: Total GDP*	3	3	2½

* Average measure.

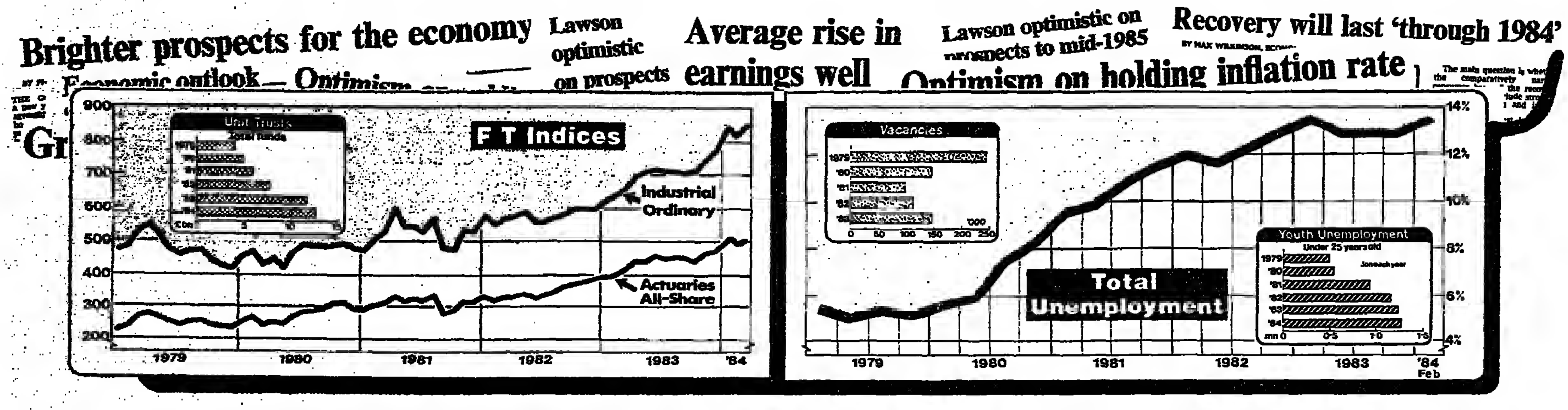
RETAIL PRICES INDEX

Per cent changes on a year earlier

	Weight	1982 Q4	1983 Q4	1984 Q4 Forecast
Food	20	4½	3	3½
Nationalised industries*	12	12	6	5
Housing	14	4	8	7
Other	56	6	5	4
Total	100	6	5	4½

* Including London Transport, excluding water.

THE BUDGET: Details



Reduction of inflation remains aim of medium-term strategy

The financial statement published yesterday announced that the Medium Term financial strategy was being extended. It said:

Inflation has come down to levels not experienced in the UK since the 1960s. There has been a steady recovery in output for almost three years. The aim over the medium term is to continue reducing inflation and to build on recent improvements in the performance of the economy. The Government therefore intends to continue with present policies. The medium-term financial strategy sets out the framework within which policy operates.

Firm financial policies are the essence of the strategy. This entails control of monetary growth and public sector borrowing. In order to reduce inflation further, the Government intends to continue reducing rates of monetary growth. The paths appropriate for different measures of money depend on the nature of the measures and the structural influences on them, as well as the behaviour of other financial indicators. Fiscal policy is designed to be consistent with the monetary framework and the Government's objectives for inflation. A congruence of monetary and fiscal policy is necessary to ensure balance in the economy, particularly between investment and consumption and between sectors which are more or less exposed to international competition. Falling monetary growth and inflation require a further reduction in the PSBR, as a share of GDP, to permit interest rates to fall in nominal and real terms.

Lower cost and price inflation within a given financial framework makes room for faster growth of output and employment. The reduction in inflation achieved so far has been an important factor in the strong growth of output the UK is now experiencing, ahead of other European countries. The continuing low rate of inflation indicated by the MTFS will also provide the macro-economic environment for a sustained improvement in the supply side of the economy, towards which the Government's micro-economic policies are directed.

Further improvements in productivity and modernisation in pay will lead to higher levels of output and employment. In spite of recent improvements, there is still a substantial gap between the level of productivity in the UK and that in other major industrial countries. The Government will continue to encourage enterprise, efficiency and flexibility by increasing incentives, promoting competition, improving the working of markets, and pressing ahead with privatisation.

Recent financial conditions:

Monetary conditions have been broadly consistent with the objectives indicated last year. Of the three target aggregates, £M3 has grown well within the 7-11 per cent target range in the year to mid-February, and the growth of M1 has been at the top of the range. Although the growth of PSL2 has been above the top end, since the summer its growth too has been within the range. Other evidence, including the behaviour of narrower measures of money, also supports the view that conditions have been satisfactory. The effective exchange rate has remained broadly flat. Nominal short- and long-term interest rates have continued to fall from their peak in 1980-81, after a short interruption at the end of 1982; but with inflation lower too, real rates remain fairly high.

M1 grew by 11 per cent over the year to mid-February, the top of the target range. But the increasing share of interest bearing deposits within the total has complicated interpretation, and made M1 an increasingly inadequate measure of transactions balances.

Other measures of narrow money have continued to grow more slowly. M0 rose by 6½ per cent over the year to mid-February, and its principal component, notes and coin, by slightly less; M2, and the non-interest bearing component of M1 grew rather faster. There was some acceleration in these aggregates over the winter of 1982-83, but since then growth rates have levelled off and, in some cases, eased slightly.

In the year to mid-February £M3 grew by 9½ per cent, well within the target range. Its growth rate rose sharply in the early months of the target period, but slackened again from the summer onwards. The main expansionary influence during the spring was the public sector's demand for credit; bank lending to companies grew very slowly, reflecting a marked improvement in their financial position. More recently, there has been an increase in lending by banks to the private sector, offset by a contraction of their lending to the public sector. PSL2 has grown rather faster than £M3, by 12½ per cent, as highly competitive rates enabled building societies to attract record inflows in the second half of the year.

Monetary policy

The Government will continue to pay attention to both broad and narrow measures of money. As explained above, the behaviour of M1, the measure of narrow money hitherto used for target purposes, is becoming increasingly more difficult to interpret. Other measures of narrow money, such as M0, are likely to be more satisfactory indicators of financial conditions. M2 should eventually be a better guide than M1, but it will need interpreting with particular care for some time since it is a relatively new aggregate and its recorded growth has recently been affected by changes in the terms of building society accounts.

Past experience suggests that, over time, narrower monetary aggregates tend to grow more slowly than the broad aggregates. In the last two years, differences in the behaviour of M1 and the broad aggregates were not expected to be very large, which is why in the last two versions of the MTFS they could be encompassed within the same target range. But in general, separate target ranges for broad and narrow money are more appropriate, particularly as the period of the MTFS is extended.

As in previous versions of the MTFS, the monetary ranges give a broad indication of the objectives of monetary policy for a number of years. But the ranges for 1984-85 are targets. The target for broad money is 6-10 per cent, the range indicated in last year's Financial Statement. The target for narrow money in 1984-85 will be 4-8 per cent. As in previous years, the 1984-85 targets apply to the annual rate of growth over the 14 months beginning in mid-February 1984. Illustrative ranges for the following four years are shown in Table 2.2. Targets for the later years will be decided nearer the time, taking account of any changes in the financial structure that may alter the economic significance of different aggregates. The aim will be to maintain monetary conditions consistent with a continuing downward trend in inflation.

The target for broad money remains £M3. In interpreting its behaviour the authorities will continue to take account of other indicators of broad money, in particular PSL2. The target for narrow money applies to M0. In interpreting its behaviour attention will also be paid to other indicators of narrow money, and in particular M2, though as noted above this aggregate will need careful assessment. Both PSL2 and M2 include building society liabilities, which are an important element in monetary conditions. These liabilities have in the past tended to grow slightly more rapidly than the equivalent liabilities of the monetary sector.

Broad and narrow money will have equal importance in the assessment of monetary conditions and interest rates. As in the past the authorities will take into account all the available evidence, including the exchange rate.

FISCAL POLICY

In the past three years, the PSBR has been significantly lower than in 1979-80 and 1980-1981. It has averaged less then 3½ per cent of money GDP, compared with over 5 per cent in the earlier years. This has been consistent with recovery in the real economy mainly because of the reduction in inflation and interest rates. Expenditure by both companies and households has risen as a result. In the case of households there has been an associated fall in the savings ratio.

The PSBR in 1983-84 is now forecast at £10bn, equivalent to 3¼ per cent of GDP. This is as forecast in the Autumn Statement but nearly £2bn higher than expected at the time of the 1983 Budget. Local authority borrowing seems to have been running much higher than expected, and central government expenditure, particularly on non-cash-limited programmes, has exceeded last year's forecasts.

Government policies have been directed to achieving a progressive reduction in public sector borrowing over the medium term. Fiscal restraint is essential to the achievement of lower inflation and interest rates. A further reduction in the PSBR over the medium term is required to be consistent with the monetary targets at acceptable interest rates.

The appropriate path of the PSBR from year to year reflects many considerations, including the cyclical position of the economy. The composition of public sector receipts and expenditure also has to be taken into account. The profile of public sector asset sales is an important aspect of this, since they are unlikely to make a large contribution to reducing interest rates. The higher level of asset sales over the next five years than in recent years points to an initial downward shift in the PSBR path. The pattern of North Sea oil revenues is also relevant: the likelihood that they may be near their peak in 1984-85 is a further reason for seeking to make rapid progress this year in reducing the PSBR.

The PSBR for 1984-85 is forecast to be £7¼bn, equivalent to 2¼ per cent of GDP, slightly below the figure assumed a year ago and in the Autumn Statement. The fiscal projections summarised in Table 2.6 show further small reductions in the PSBR as a proportion of GDP in subsequent years, to 1¾ per cent in 1987-88 and 1988-89. The figures after 1984-85 are illustrative, and decisions about the appropriate PSBR in particular years will be taken nearer the time. But the illustrative profile should be compatible with falling inflation and monetary growth, and interest rates declining in both nominal and real terms.

For the period to *1986-87*, the fiscal projections in the accompanying tables are based on the public expenditure plans shown in the Public Expenditure White Paper (Cmnd. 9143), updated where necessary to take account of Budget measures. Further details for 1983-84 and 1984-85 are given in Part 5. For 1987-88 and 1988-89, no public expenditure decisions have yet been taken and the projections assume that the public expenditure planning total remains unchanged in real terms. Similarly, no decisions on asset sales in 1987-88 and 1988-89 have been taken; they are assumed to remain at the levels in the White Paper for the previous three years. Real output is assumed to grow by 2¼ per cent a year on average over the five years. The general rate of inflation, as measured by the GDP deflator, which is put at about 5¼ per cent in 1983-84, is projected to fall to under 5 per cent in 1984-85, and to 3 per cent by 1988-89. It is assumed that there is no major change in the effective exchange rate from year to year. These assumptions imply growth of money GDP falling from about 8 per cent in 1983-84 to 5 per cent by the end of the period.

Public expenditure

The accompanying table shows the relationship between the planning total for public *expenditure and general government expenditure* in national accounts terms (the definition of public expenditure lying behind the general government borrowing requirement).

Last month's Public Expenditure White Paper (Cmnd. 9143) set out in detail the Government's plans on the level and make-up of public spending to 1986-87. On the assumptions on inflation above, these plans mean that public expenditure should remain broadly level in real terms for the next three years.

This stability is projected forward for a further two years, with the assumption that public expenditure in 1987-88 and 1988-89 will remain at its 1986-87 level in real terms. If the decisions which have still to be taken on the public expenditure totals for these years follow the assumed path, this should lead to a continuing fall in the share of the national product taken by public spending.

Revenue

The growth of Government revenues in cash terms over the medium term will depend on the growth of incomes, spending and prices, as well as policy decisions. Revenue is projected on the conventional assumption of constant tax rates and indexed allowances and thresholds at the proposed *1984-85* levels, except where the Budget contains specific proposals for changes in the later years. All changes proposed in the Budget are taken into account. No change is assumed in National Insurance contribution rates. Projections of North Sea tax revenues assume that oil prices do not change much from current levels for the next two years and then rise broadly in line with world inflation.

On these assumptions, general government receipts are projected to rise by about 34 per cent between 1983-84 and 1988-89, a little less than the growth in total money GDP. *Government revenue from the North Sea* is expected to fall in both real and nominal terms after 1984-85 as North Sea output *falls, but this is more than offset* by rising revenues from the growing non-North Sea economy.

Public sector borrowing

The projections of Government receipts and expenditure are brought together in the accompanying tables to provide projections of the general government borrowing requirements (GGBR) and the PSBR. The size of the fiscal adjustment depends critically on the estimates of revenues and expenditure. These are subject to major uncertainties about, for example, the tax yield for an assumed set of tax rates and the behaviour of oil prices—and of course for the final two years the level of expenditure has yet to be agreed.

Comparison with the 1983 revenue and expenditure projections

The accompanying table shows *changes in the fiscal projections* since the 1983 FSBR.

The level of nominal GDP in 1983-84 is estimated to have been about 2¼ per cent higher then expected a year ago, mainly reflecting revisions to data for previous years. Growth of money GDP in 1984-85 and 1985-86 is now projected to be a little lower than assumed last year, reflecting lower inflation. The projected PSBR is ½ per cent lower as a proportion of GDP in 1984-85, and unchanged in 1985-86.

The factors affecting the outturn for 1983-84 are discussed in Part 5. The higher expenditure in 1983-84, compared with estimates made a year ago, is due partly to a higher outturn for the planning total and partly to higher debt interest payments, resulting from estimating revisions and higher borrowing than expected. The higher outturn for the planning total reflects higher expenditure by central government on demand-led programmes, and overspending by local authorities, offset in part by an unspent balance in the Contingency Reserve and higher receipts from asset sales. In 1984-85 and 1985-86 no shortfall is now expected on the public expenditure planning total, which is virtually unchanged from last year. In both years debt interest payments are expected to be somewhat higher than previously estimated, and this is reflected in higher general government expenditure. The projection of general government receipts takes account of the Budget measures. In 1984-85 tax receipts are expected to be about £1½bn higher. This is the result of the Budget measures, estimating changes and North Sea revenues, which are now projected to be £2bn higher as a result of higher production and sterling oil prices. The projection of tax receipts in 1985-86 is about £1½bn lower than a year ago, due mainly to budget measures. As a result of these changes, the fiscal adjustment in 1985-86 is lower than a year ago.

Conclusions

The projections of expenditure, revenue and borrowing in the accompanying tables are illustrative, and could be different in *particular* years if the domestic and world economies developed in a markedly different way. But whatever the response to short-term fluctuations, the trend will be maintained, bringing with it continued progress to lower inflation.

To achieve the ultimate objective of stable prices with lower interest rates, the declining trend in monetary growth and public borrowing will need to be maintained beyond the MTFS period. And to bring about progressive reductions in taxation at the same time, expenditure has to remain under tight control.

The Green Paper on Public Expenditure and Taxation into the 1990s which is published today provides an illustrative framework for a further five years showing projections of public spending alongside the implications for taxation.

MONETARY GROWTH 1983-84

	Per cent change during year					
	M0*	M1	M2†	£M3‡	PSL1	PSL2
February 1983-February 1984	6½	11	9	9½	9½	12½

* Weekly averaged series.
† A change in the terms of certain building society accounts in December 1983 and January 1984, causing them to be classified within M2, has added 1½ per cent to growth over the year.
‡ Old definition: including public sector deposits.

RANGES FOR MONETARY GROWTH

	Per cent change during year				
	1984-85	1985-86	1986-87	1987-88	1988-89
Narrow money—M0*	4-8	3-7	2-6	1-5	0-4
Broad money—£M3†	6-10	5-9	4-8	3-7	2-6

* Weekly averaged series.
† New definition: excluding public sector deposits.

PUBLIC SECTOR FINANCES

Per cent of GDP	1979-81 average	1981-82	1982-83	1983-84
PSBR	5.3	3.4	3.3	3¼ (est.)

REVENUE AND EXPENDITURE: COMPARISON WITH THE 1983 PROJECTIONS

£bn, cash	1983-84	1984-85	1985-86
General government expenditure	1	1	1
General government receipts	—	1½	−1
Implied cumulative fiscal adjustment	—	−0½	−2
GGBR	1	−0½	—
PSBR	2	−1	—
as % of GDP	0½	−0½	—

Constituent items may not sum to totals due to rounding to nearest £½bn.

GENERAL GOVERNMENT RECEIPTS

£bn, cash	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89
Taxes on incomes expenditure and capital	92.4	96½	104½	111½	119½	126	132
National Insurance and other contributions	18.7	21½	23	24½	26	27½	29
Interest and other receipts	11.1	10½	10	10½	11	11½	11½
Accruals adjustment	−0.1	—	+1	−0½	−0½	−0½	−0½
Total	122.1	128½	138½	146½	156½	164½	172
of which North Sea tax*	7.8	9	10	9½	9½	9½	9

* Royalties, petroleum revenue tax (including advance payments), corporation tax from North Sea oil and gas production (before advance corporation tax set off) and, in 1982-83, supplementary petroleum duty.
Constituent items may not sum to totals due to rounding to nearest £½bn.

GENERAL GOVERNMENT EXPENDITURE

£bn, cash	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89
Public expenditure planning total*	113.4	120½	126½	132	136½	141½	146
Interest payments†	14.5	15	15½	15½	16	16	16
Other adjustments‡	4.5	4	4½	4½	5	4½	4½
Total expenditure in national accounts terms	132.4	139	146	152	157½	161½	166
of which special sales of assets§	0.5	1	2	2	2	2	2

* Assumed to be constant in real terms from 1986-87 to 1988-89.
† For 1982-83 see Financial Statistics.
‡ The main adjustment is to convert the definition of expenditure onto a national accounts basis.
§ Assumed to be constant in cash terms from 1986-87 to 1988-89.
Constituent items may not sum to totals due to rounding to nearest £½bn.

PUBLIC SECTOR BORROWING

£bn, cash	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89
General government expenditure	132.4	139	146	152	157½	161½	166
General government receipts	122.1	128½	138½	146½	156½	164½	172
Fiscal adjustments from previous years*	—	—	—	—	2	6½	10
Annual fiscal adjustment*	—	—	—	2	4½	3½	3½
GGBR	10.3	10½	8	7½	8	7	7
Public corporations market and overseas borrowing	−1.1	−0½	−0½	−0½	−1	—	—
PSBR†	9.2	10	7	7	7	7	7
as % of GDP	3.3	3¼	2¼	2	2	1¾	1¾
Money GDP at market prices‡	281	304	328	350	371	392	412

* Means lower taxes or higher expenditure than assumed in lines 1 and 2.
† From 1984-85 onwards, the definition of the PSBR and its components excludes changes in public sector deposits and certain other short-term assets of a similar nature.
‡ Average measure.
Constituent items may not sum to totals due to rounding to nearest £½bn.

Share options

Limit on SAYE schemes to rise to £100 a month

AFTER the Chancellor's speech the Inland Revenue issued the following statement.

EMPLOYEE SHARE OPTIONS

In his Budget Statement yesterday the Chancellor announced changes in the tax treatment of share options granted to directors and employees.

Finance Act 1980 approved SAYE-linked share option schemes

The current £50 upper limit on monthly contributions by a director or employee under a savings-related share option scheme approved by the Board of Inland Revenue in accordence with the Finance Act 1980 is to be raised to £100. The new limit will come into effect later this year on a date to be fixed by Treasury Order made by statutory instrument.

New approved share option schemes

From April 6 1984 relief from income tax will be available in most circumstances for directors and employees who take up invitations by their employing company to participate in share option schemes which are approved by the Board of Inland Revenue.

The new arrangements will mean that scheme participants will be relieved of the Schedule E income tax charge which under present law arises at the time of option exercise on any increase in the value of the shares between the date of grant of the option and the date of exercise. Instead, the whole gain represented by the difference between the full costs of the shares under the option and the disposal proceeds will be charged under the normal rules of capital gains tax when disposal of the shares takes place.

Share option schemes submitted for approval for this purpose will have to observe a number of conditions, relating to such matters as the size of options granted, the duration of these options and the frequency of their exercise.

Further information describing the main provisions of the proposed legislation will be issued when the Finance Bill is published.

Unapproved share option schemes

Although no changes are proposed in the tax treatment of share options granted under unapproved schemes the instalment relief provisions in Section 40 Finance Act 1982 are being amended. Individuals exercising share options at any time after April 5 1983 who are liable to pay income tax on the gain will be able to opt for the payment of income tax arising on such exercise in instalments over five years (rather than the three years applying hitherto). However, no instalment payment facility will apply in respect of income tax charged on the exercise of options granted after April 5 1984.

GOLD

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THE BUDGET: Details

Corporation Tax Changes

Substantial reductions in rate over next four years

AFTER the Chancellor sat down, the Treasury issued a statement on corporation tax rates for the financial years 1983-86. This said:

The Chancellor proposes in his Budget to fix the rates of corporation tax for the financial year 1983 and the following three years. Over this period there will be substantial reductions in the rate of corporation tax (currently 52 per cent) and in the rate which applies to small companies' income (currently 38 per cent).

In comparison with 1982 when the corporation tax rate was 52 per cent and the small companies rate 38 per cent it was proposed to make the 1983 rates 50 per cent and 30 per cent respectively, the 1984 rates 45 per cent and 30 per cent, the 1985 rates 40 per cent and 30 per cent, and the 1986 rates 35 per cent and 30 per cent.

A company may claim the benefit of the small companies rate if its profits do not exceed £100,000. Where a company's profits exceed £100,000 but are less than £500,000, the corporation tax charged on its income may be reduced by a fraction of the difference between £500,000 and the company's profits. The Chancellor proposes the following values for this fraction: 1983 1/20; 1984 3/80; 1985 1/40; 1986 1/80. These compare with the 1982 fraction of 7/200.

Companies' capital gains are chargeable to corporation tax at the full rate, but relief is given by reducing the gains by a fraction before charging them to corporation tax. The Chancellor proposes that this fraction be reduced as shown in line with the rate of corporation tax, so that the effective rate of tax on companies' capital gains remains at 30 per cent. He proposes: 1983 2/5; 1984 1/3; 1985 1/4; and 1986 1/7. That compares with the financial 1982 fraction of 11/26.

Under the present law, registered industrial and provident societies, co-operative associations, approved housing associations and building societies may claim to have corporation tax charged on their income at a special rate of 40 per cent. Under the Chancellor's proposals, the main rate of corporation tax will fall to 40 per cent in financial 1985, so that the special rate will no longer be advantageous. Accordingly it is proposed to abolish the provision for the special rate with effect from that financial year.

A separate provision entitles an insurance company carrying on life business to claim a reduction to 37½ per cent in the rate of corporation tax applied to that part of its investment income allocated to or reserved for policy holders. The Chancellor proposes to abolish this provision with effect from financial 1986, in line with his proposal to reduce the rate of corporation tax for that year to 35 per cent.

Clause 41 of the Finance Bill 1983, which did not pass into law because of the general election, proposed to extend progressively from two to six years the period over which advance corporation tax (ACT) which a company is unable to set against its corporation tax liability on its current income (surplus ACT) may be carried back and set against tax liabilities of earlier years. The Chancellor proposes a further improvement in his Budget: that the six-year carry-back will apply immediately for accounting periods ending on or after April 1, 1984.

Stock relief was conceived as a temporary measure in the Finance Act 1975. Under the original schemes tax relief was allowed on the increase in the book value of stocks held by a business, subject to reduction by a percentage of the profits of the business. Relief was clawed back if the book value of stocks fell.

The relief continued, with modifications, until a new scheme based much more directly on the effects of price changes on stocks was introduced in 1980. The Chancellor's proposal to abolish it forms part of the package of measures he announced in the Budget reducing the burden of taxation on business.

Under the basic proposals no stock relief will be available, nor will there be clawback of relief, for any period of account which begins on or after March 13 1984: The stock relief due to a business for a period of account which ends on or includes March 13 will be calculated by reference to the rise in the "all stocks" index from the start of that period to March.

The present scheme of stock relief contains provisions whereby relief may be allowed against other income or carried forward against future profits, subject to a rule that relief given for periods of account ending on or after November 14 1980 will be cancelled to the extent that it remains unused six years after the end of the period to which it relates. The Chancellor proposes that these provisions shall continue to have effect.

The present scheme of stock relief contains special rules for calculating the stock relief available to a new business for its first period of account. These rules provide for the relief to be based on the value of the business's stock at the end of that period, discounted by reference to the rise in the all stocks index over the period. The Chancellor proposes to modify these rules:

● If the business commences on or after March 13 1984, no entitlement to stock relief will arise.

● If the business commences before March 13, but its first period of account ends on or after that date, the relief given will be based on the closing stock value discounted by reference to the rise in the all stocks index between the commencement of the business and March 1984, and the relief will then be calculated as explained in the basic proposals.

Thus as an example a business commences on November 1 1983. Its first period of account runs to October 31 1984 and stock at that date is £100,000. The relevant all stocks index values are: October 1983—238.9 (definitive); March 1984—244.8 (illustrative value—the definitive value will be available in June 1984). The stock value on which relief is based is:

$$\frac{238.9}{244.8} \times £100{,}000 = £97{,}590.$$

Stock relief due is:

$$(£97{,}590 - £2{,}000) \times \frac{244.8 - 238.9}{238.9} = £2{,}361$$

If a business ceases, or if there is a success to a business, in a period of account which ends on or includes March 13 1984, no clawback of relief will be made if the cessation or succession takes place on or after March 13 1984.

Capital Allowances:

In his Statement the Chancellor proposed a number of changes in the rates of capital allowances. He explained that these changes should be seen in the context of his far-reaching programme to reform company taxation.

The Chancellor proposes a staged reduction in the rate of first-year allowance (at present 100 per cent) for machinery or plants to 75 per cent in respect of expenditure incurred on or after March 14 1984; to 50 per cent in respect of expenditure incurred on or after April 1 1985; to nil in respect of expenditure incurred on or after April 1 1986.

The rate of annual writing-down allowance, which is given on the residue of expenditure not qualifying for first-year allowance, will remain at 25 per cent (reducing balance basis).

Expenditure incurred before April 1 1987, under a binding contract entered into on or before March 13 1984, will qualify for the current 100 per cent rate of first-year allowance.

The current rate of first-year allowance will also continue to apply to future expenditure which is incurred on certain projects in development or special development areas in respect of which an offer of selective assistance has been made between April 1 1980 and March 13 1984 under section 7 or 8 of the Industrial Development Act 1982 or the equivalent legislation in the case of Northern Ireland.

There will be provisions to restrict the scope for obtaining the benefit of higher rates of first year allowance by artificial arrangements advancing the date on which expenditure is incurred. In such cases, the allowance in the earlier year will be limited by reference to a time-apportionment formula. For example, if an asset costing £600 is due for delivery on July 31 1986 under a contract made on November 30 1984, but payment for it is made in full on March 31 1985, the capital expenditure on which first year allowance in 1984-85 is due may be restricted to: 4/8 × £600 = £300, and the balance carried forward for the purpose of first-year allowance to 1985-86.

The Chancellor proposes to make a change in the time at which writing down allowances for machinery or plant are given. At present these allowances do not start to run until the asset concerned has been brought into use. The Chancellor proposes that, from April 1 1985, they should be available (like first-year allowances are at present) in general from the time when expenditure is incurred. This change, which will be introduced in next year's Finance Bill, will tend to advance these allowances, particularly for long lead assets where stage payments, are made in advance of delivery.

The changes in the rate of first-year allowance will apply automatically to certain other expenditure which is deemed under the Taxes Acts to be expenditure on machinery or plant.

The Chancellor proposes a staged reduction in the rate of initial allowance for industrial buildings and assured tenancy properties (at present 75 per cent) as follows: to 50 per cent in respect of expenditure incurred on or after tomorrow, March 14; to 25 per cent in respect of expenditure incurred on or after April 1 1985; to nil in respect of expenditure incurred on or after April 1 1986.

The rate of annual writing down allowance will remain at 4 per cent (straight line basis).

Expenditure incurred before April 1 1987, under a binding contract entered into on or before March 13, will qualify for the current 75 per cent rate of initial allowance.

The current rate of initial allowance will also continue to apply to future expenditure on certain assisted projects in the regions.

There will be provisions to ensure that higher rates of initial allowance are not obtained by artificial arrangements bringing forward the date on which expenditure is incurred.

Films, including films made for television, which satisfy the Eady requirements in accordance with Section 72(7) and (8) of the Finance Act 1982, are at present entitled to capital allowances until March 31 1987. The Chancellor proposes to remove that time limit. These films will continue to be entitled to capital allowances at the new rates specified above for machinery or plant generally.

There will, however, be an option for Eady films to be treated in the same way as non-Eady films—the cost of the film to be written off broadly over its income-producing life.

Further changes

The Chancellor proposes to make the following changes in capital allowances in next year's Finance Bill, to take effect from 1986:

Agricultural buildings: At present there is an initial allowance of 20 per cent and annual writing down allowances of 10 per cent. The initial allowance will be reduced to nil from April 1 1986, and the writing down allowance reduced to 4 per cent.

Hotels: At present there is an initial allowance of 20 per cent and annual writing down allowances of 4 per cent. The initial allowance will be reduced to nil from April 1 1986. The writing down allowance will remain at 4 per cent.

Dredging: The present rate is an initial allowance of 15 per cent and an annual allowance of 4 per cent (straight line basis). The initial allowance will be reduced to nil from April 1 1986. The writing down allowance will remain at 4 per cent.

Patent rights: The capital cost of purchasing patent rights is, broadly speaking, at present allowed by equal annual instalments over 17 years. This will be replaced in 1986 by an annual writing down allowance of 25 per cent (reducing balance basis).

Know-how: Writing down allowances for the cost of acquiring know-how are at present given over six years. These will be replaced in 1986 by an annual writing down allowance of 25 per cent (reducing balance basis).

Under Review:

The Chancellor intends to examine the scope for restructuring and simplifying the capital allowances legislation, following these further changes.

The allowances for mines, oil wells and mineral rights are already under review, following an announcement in the last Budget. This review will now be conducted against the background of the Chancellor's proposed changes in the other allowances.

The review will also encompass the scientific research allowance, the largest part of which relates to exploration for oil and gas in the North Sea.

No changes proposed

The Chancellor does not propose to alter the following allowances:

Enterprise zones: 100 per cent initial allowance for business buildings.

Small workshops: 100 per cent initial allowance for very small industrial units. This allowance is due to end on March 26 1985.

New Ships: Free depreciation (postponement of first year allowance), though this will cease to have practical effect when the rate of first-year allowance for machinery or plant becomes nil.

Business cars: where there is already just a 25 per cent writing down allowance.

Rented televisions sets (including teletext and viewdata sets) in respect of which there are already transitional provisions in force phasing out the first-year allowance.

Group Relief:

The Chancellor proposes to widen the circumstances in which companies in a consortium may claim relief, subject to certain conditions.

Group relief for consortia is at present available only where five or fewer UK companies own all the share capital of a consortium company. Under the proposed new rule, to be introduced in the Finance Bill, relief will be available if 75 per cent or more of the share capital is owned by UK companies each owning at least 5 per cent of the total share capital.

The effect of this change will be to increase, up to a maximum of 20, the number of UK member companies in a consortium that may claim relief. It will also allow relief for consortia where some of the members are non-UK companies or individuals, though the relief itself will be available only to the consortium company and qualifying UK member companies.

The proposed new rule will come into effect for accounting periods ending after the passing of the Finance Act. There will be transitional arrangements for existing consortia in which a member company has a less than 5 per cent interest; such member companies will remain entitled to relief for accounting periods ending on or before March 31 1986.

The Chancellor also proposes that this new definition of a consortium should apply for group income elections, in respect of dividends paid under a group election after December 31 1984.

Anti-avoidance:

The Chancellor proposes to introduce revised provisions to counter the avoidance of corporation tax through the use of group relief. These proposals replace those previously published.

The possibility of avoidance arises when a company joins or leaves a group part-way through its accounting period. The present rule is that the company's profits or losses should be time-apportioned between the two parts of the accounting period. It is now proposed that time-apportionment should continue to apply except where this appears to work unreasonably or unjustly, in which event such other method as appears just and reasonable will be used. Normally, the alternative method will entail apportionment based on a computation showing what the profits, etc, would have been for the periods before and after the change of group if separate accounts had been drawn up for those periods.

Under the proposed new rule it is likely that time-apportionment will continue to apply for the majority of cases of companies changing groups. The alternative method would apply only where it produced significantly different results from time-apportionment. This should only occur where the pattern of receipts, etc, in the accounting period was very lumpy and uneven.

The change will apply to companies joining or leaving a group after March 13 and whose accounting period began after December 7 1983.

The Chancellor has authorised publication of the revised draft clause ahead of publication of the Finance Bill. Copies may be obtained (30p, post free) from the Reference Room, Room 8, New Wing, Somerset House, London WC2R 1LB. Remittances should be payable to Inland Revenue.

Company car levy to go up next year

AFTER the Chancellor sat down the Inland Revenue issued a statement on car and car fuel benefit charges for 1985-86. This said:

The Chancellor proposes in his Budget that the amounts taxable as benefits in kind where a company car provided for a director or "higher-paid" employee is available for private use shall be increased for 1985-86 by approximately 10 per cent overall. Similar increases are proposed in the scales relating to fuel provided for private motoring in such cars.

The taxable cash equivalents of company cars and car fuel for private motoring are contained in Finance Act 1976 and may be varied by Treasury Order. It is proposed that orders increasing all the scales will be laid before parliament in the summer. The detailed figures of the car and car fuel benefit scales proposed for 1985-86. (1984-85 in brackets) are as follows:

CAR BENEFIT: CARS WITH ORIGINAL MARKET VALUE UP TO £17,500 (£16,000) HAVING A CYLINDER CAPACITY

Cylinder capacity of car in cubic centimetres	Age of car at end of relevant year of assessment: Under 4 Yrs	4 Yrs or more
Up to 1300cc	410 (375)	275 (250)
1301cc-1800cc	525 (480)	350 (320)
More than 1800cc	825 (750)	550 (500)

CAR BENEFIT: CARS WITH ORIGINAL MARKET VALUE UP TO £17,500 (£16,000) AND NOT HAVING A CYLINDER CAPACITY

Original market value of car	Age of car at end of relevant year of assessment: Under 4 Yrs	4 Yrs or more
Less than £5,500 (£4,950)	410 (375)	275 (250)
£5,500 (£4,950) or more but less than £7,700 (£7,000)	525 (480)	350 (320)
£7,700 (£7,000) or more but less than £17,500 (£16,000)	825 (750)	550 (500)

CAR BENEFIT: CARS WITH ORIGINAL MARKET VALUE MORE THAN £17,500 (£16,000)

Original market value of car	Age of car at end of relevant year of assessment: Under 4 Yrs	4 Yrs or more
More than £17,500 (£16,000) but not more than £26,500 (£24,000)	1,200 (1,100)	800 (140)
More than £26,500 (£24,000)	1,900 (1,725)	1,150 (1,150)

CAR FUEL BENEFIT:—Cars with a recognised cylinder Capacity

Cylindar capacity of car in cubic centimetres	Cash equivalent
Up to 1300cc	410 (375)
1301cc-1800cc	525 (480)
More than 1800cc	825 (750)

CAR FUEL BENEFIT:—Cars not having a recognised cylinder Capacity

Original market value of car	Cash equivalent
Less than £5,500 (£4,950)	410 (375)
£5,500 (£4,950) or more but less than £7,700 (£7,000)	525 (480)
£7,700 (£7,000) or more	825 (750)

The proposed changes will affect the liability to tax of directors and employees earning at a rate of £8,500 a year or more, who by reason of their employment are provided with cars which are available for private use.

Foreign Earnings

UK residents working and trading abroad to lose 25% relief

THE CHANCELLOR in his Budget proposes to withdraw with effect from 1985-86 the 25 per cent relief available to UK residents working and trading abroad. For 1984-85, the rate of relief is to be halved, to 12½ per cent. Tha 100 per cent relief available to peopla working abroad for 365 days or more is not affected.

In addition, it ia proposed that employees domiciled overseas and working for non-resident employers will cease to qualify for the 50 per cent and 25 per cent deductions from earnings. Special transitional relief will protect those who already qualify or are in transit to the UK, although those people who have been resident in the UK for nine out of the past 10 years will cease to qualify for relief on April 5, 1984. Legislation on all these matters will be contained in the Finance Bill. Details of the proposals are given below.

A. Employees working overseas:

Employees working abroad for periods of 365 days or more can qualify for a 100 per cent deduction from earnings. That relief is not affected by the Chancellor's proposals.

Where, however, an employee has either:

● An employment the duties of which are performed partly in the UK and partly abroad, or,

● An employment all of whose duties are performed abroad, so that be qualifies for a 25 per cent deduction from all or part of his emoluments, it is proposed that for 1984-85 the rate of relief shall be reduced to 12½ per cent and that for 1985-86 the relief shall be withdrawn altogether.

Example: A is an employee spending 60 days a year working overseas for UK-resident employer. He earns £10,000 a year. In 1983-84 be is entitled to tax relief on £10,000 x 60/365 x 25/100 = £411 at his marginal rate of 30 per cent. In 1984-85 his relief will be halved to £206 and in 1985-86 be will be taxed in full on all his earnings.

BUDGET SPEECH

United Kingdom Trades:

Where a person carries on a trade or profession in the UK, either on his own account or in partnership, he may qualify for a 25 per cent deduclion from his profits if in any tax year be spends at least 30 daya on business overseas. As with the relief for employees working overseas it is proposed that the relief shall be halved to 12½ per cent for 1984-85 and withdrawn altogether for later years.

Foreign Trades:

Where a person carries on a trade or profession wholly abroad so that be is liable to tax on his profits under Case V of Schedule D, he is entitled to a 25 per cent deduction from his profita. Similarly, the relief available in respect of losses etc from those sources is restricted by the same percentage. It is proposed that the level of relief shall be reduced to 12½ per cent in 1984/85 and withdrawn totally in 1985/86.

Income is normally assessed on a previous year basis although there are exceptions when a source commences or ceases. Thus, in the normal case, seven-eighths of the 1983/84 profit will be charged in 1984/85 (or seven-eighths of the 1983/84 losses will be allowed for carry-forward to 1984/85 and later years); and the whole of the 1984/85 profit wil be charged in 1985/86 (or the whole of the 1984/85 losses will be allowed for carry-forward to 1985/86). Losses incurred before 1983/84 and not yet extinguished by set-off against subsequent profits will still attract the one-quarter restriction.

Similar transitional arrangements will apply for capital allowances. The deduction from allowances to be made for 1984/1985 will be decreased from one-quarter to one-eighth and be withdrawn in relation to allowances to be made for 1985/1986 and later years.

Non-Domiciled Employees Working In The UK For Non-Resident Employera:

An employee who is not domiciled in the UK and whose employer is not resident in the UK may qualify for a 50 per cent, or if he has been resident in the UK for nine out of the previous 10 years, a 25 per cent deduction from his earnings. In addition, special rules apply to "golden handshakes" paid to such employees.

The Chancellor's proposals are as follows:

(a) People entitled on Budget day to relief for 1983-84

It is proposed that:

(i) for 1984-85 and later years no relief shall be available to any person who has been resident in the UK in nine out of the 10 preceding years, and

(ii) that for 1987-88 and 1988-89 the rate of relief shall be reduced to 25 per cent and withdrawn entirely from 1989-90.

Example:—B is domiciled abroad and employed in London by a foreign concern. He has been resident in the UK since 1966-67. In 1983-84 be is entitled to a 25 per cent deduction from his earnings. It is proposed that be sball not be entitled to any deduction for 1984-1985 or later years.

C is lika B except that at April 6 1984 he bas been resident in only eight of the 10 preceding years. He will qualify for a 50 per cent deduction for 1984-85 but will pay tax oo the full amount of his earnings in 1985-86.

D is like C except that he arrived in tha UK for the first time in 1983-84. It is proposed that, provided be fulfils all the necessary conditions for the relief in each year, D will qualify for deductions as follows:

1984-85	50 per cent
1985-86	50 per cent
1986-87	50 per cent
1987-88	25per cent
1988-89	25 per rent

and that be shall pay tax on the full amount of his emoluments from 1989-90.

(b) People not entitled on Budget Day to relief for 1983-84:

It is proposed that an employee who is not domiciled in the UK, and who has not before Budget day beld an employment with a non-resident employer during 1983-84 in respect of which be is entitled to a foreign emoluments deduction, shall not be entitled to anw relief for "foreign emoluments" for 1983-84 or any later year unless, exceptionally, he takes up duty in the UK on or before July 31 1984 in fulfilment of an obligation incurred on or before today.

Example: E is domiciled abroad and on February 28 is notified of a transfer to the London office of his employer, an overseas bank. He takes up duty on April 1 1984. He has never visited the UK before.

It is proposed that he shall be entitled to a 50 per cent deduction for the years 1983-84 to 1986-87 inclusive, and a 25 per cent deduction for 1987-88 and 1988-89. From 1989-90 ba will pay tax on the full amount of his emoluments.

(c) Golden Handshakes:

A non-domiciled employee of a non-resident employer receiving a golden handshake on termination of his employment may, in addition to tha £25,000 exemption and the reduced rates of tax that apply to golden handshakes generally, be entitled to a 50 per cent deduction from the amount of his payment (Section 188(2)(a) of the 1970 Taxes Act).

It is proposed that the 50 per cent deduction shall cease to apply to payments made after today (although under a special transitional provision relief will be available in respect of a payment made on or before July 31 1984 in pursuance of a binding obligation incurred on or before today). It follows that future payments will be taxed in the same way as payments received by employees not receiving "foreign emoluments".

These proposals do not affect the special "foreign service" reliefa which apply to exempt from tax under Schedule E that part of a golden handshake which relates to "foreign aervice" during which the employee was not liable to UK income tax on his emoluments.

Other Matters:

Overseas Travel: With the Chancellor'a authority the Inland Revenue will shortly be issuing a consultative document on the present statutory rules governing travel expenses borne by employers of employees working abroad. It is proposed that any changes that might appear necessary should take the form of a new clause or clauses at Committee Stage of the Finance Bill.

PAYE: No action will be taken by the Inland Revenue to adjust employees' codings or to modify "net pay" arrangements entered into by some employers until the Finance Bill receives Royal Assent.

CAPITAL GAINS TAX

Annual exempt amounts to be increased in line with retail price index

THE Inland Revenue yesterday issued the following details on capital gains tax.

The Chancellor proposes in his Budget to make the following changes to Capital Gains Tax, in addition to those which the Government has already announced:—

1—An increase in the annual exempt amounts in line with the Retail Prices Index. For 1984-85 an individual will be exempt on tha first £5,600 and most trusts on tha first £2,800 of gains;

2—An exemption for gains on bonds issued after today by companies quoted on the Stock Exchange or on the USM;

3—A further relaxation of the restrictions on the rule substituting an asset's market value for the actual consideration for disposal;

4—An extension of the existing treatment of traded options in shares to all traded options quoted on tha London International Financial Futures Exchange;

5—The extension to Northern Ireland of existing reliefs for bousing association and self-build societies in Great Britain.

Annual exempt amount

At present, an individual whose total net gains in a year of assessment do not exceed £5,300 is not liable to capital gains tax. This exemption is also available to the trustees of a settlement for a mentally disabled person or for a person in receipt of attendance allowance, and to personal repreaentatives for gains accruing to them in the year of death and the two following yeara of assessment. For trustees of other settlements the exempt amount is £2,650.

Following the statutory indexation provisions introduced in 1982, it is proposed for 1984-85 to increase the exempt amount of £5,300 to £5,600 and that of £2,650 to £2,800. These increases are in proportion to the increase in the geoeral index of retail prices between December 1982 and December 1983 (5.3 per cent).

Exemption for corporate bonds

The Finance Bill will contain provisions, broadly on the lines of those already applying in respect of gilt-edged stock, to exempt from capital gains tax corporate boods. The exemption will apply to bonds which are issued after March 13 1984 and which are held for more than twelve months before disposal.

Tha exemption will apply to any bond, debenture, debenture stock, or loan stock which meets the following conditions:

A. It is issued by a company which bas shares, stocks or debentures listed in the Official List of the Stock exchange or dealt in on the Unlisted Securities Market;

B. It is a debt on security as defined in Section 82 CGTA;

C. It is a normal commercial loan. A bond would not qualify for relief, for example, if it

carries any rigbts of conversion into shares or to acquire additional shares or securities;

eotitles the loan creditor to any interest which depends to any extent on the result of the company'a business or the value of the company's assets or exceeds a reasonable rate or return;

entitles the loan creditor on repayment to an amount which either exceeds the consideration lent or is not reasonably comparable with an amount generally repayable.

D. It is capable of being marketed and is not an issue by a company to another company in the same group (as defined in Section 272 Taxes Acts).

Holders of existing bonds will not be directly affected by the introduction of this new relief. Where however an existing bood is converted into a new qualifying bond any gain or loss accruing up to the date of cooversion will be taken into account wben the new bond is finally disposed of.

Tha proposed relief does not apply to a dealer in whose hands any gain on such a stock falls to be treated as income.

Market value rule

The Financial Secretary announced on December 21 1983 that the Finance Bill would include legislation to relax, with effect from April 6 1983, the restrictions on the rule which treats an asset'a acquisition cost and disposal consideration as being its market value.

Briefly, from that date, the market value rule will now apply to acquisitions from overseas residents and other "excluded persons" (broadly, a person wha is not liabla to CGT).

Since this announcement, a number of representations have been received about the effect of this change, and in particular on a transfer of assets by a non-resident person trading in this country through a branch or agency. In the light of these representations, the Finance Bill is to include a provision enabling the existing treatment to continue in such circumstances where both parties to the transaction so elect. This provision will apply to disposals which take place between April 6, 1983 and April 6, 1985.

Traded options

At present, special CGT rules apply to gains arising from transactions, on a recognised stock exchange, in traded options in shares in a company. It is proposed that with effect from April 6, 1984 all traded options quoted on a recognised stock exchange and any such options quoted on the London International Financial Futures Exchange should be treated in the same way. The effect of this proposal is that no traded option quoted on one of these exchanges will be treated as a "wasting asset" for CGT purposes; and that the abandonment of the option may create an allowable loss.

Self-build societies and housing associations in Northern Ireland

At present, approved self-build societies in Great Britain are exempt from tax in respect of rents from members and from chargeable gains arising from the sale of land to members. There is also relief for gains arising from certain disposals between registered bousing associations. It is now proposed, with effect from April 6, 1984, to extend these provisions to equivalent bodies in Northern Ireland.

North Sea revenues to exceed forecasts

AFTER THE Chancellor sat down, the Treasury issued the following statement on Government revenues from North Sea oil and gas:

The Financial statement and Budget report contains projections of Government revenues from North Sea oil and gas over the period to 1988-89. Revenues are projected to rise from just under £9bn (in current prices) in 1983-84 to a peak of about £10bn in 1984-85 before falling to £9.5bn in 1985-86 and the two subsequent financial years, and to £9bn in 1988-89. This profile reflects 1 at of North Sea oil production which is assumed to peak sometime in the next two years and then fall away. In real terms North Sea revenues are projected to be some 20 per cent lower in 1988-89 than in 1984-85.

In 1984-85 revenues are expected to be about £500m higher than was projected at the time of the Chancellor's autumn statement last November and considerably higher than in the 1983 FSBR projection. Both oil production and sterling North Sea oil prices are expected to be substantially higher in 1984 than was assumed at this time last year.

Revenue projections

The accompanying table shows the latest projection of Government revenues from the North Sea (in current prices) for the period 1982-83 to 1988-89. It also compares them with those made at the time of the autumn statement in November 1983 and of the 1981, 1982 and 1983 Budgets. The second table shows the constituents of total revenues in 1983-84 and 1984-85 as published in both this and last years' FSBR. This note describes the current projection of North Sea revenues and compares it with the two made last year and with other forecasts.

The marked revisions now made to the Treasury projections illustrate the very wide margins of error to which such projections are subject. The uncertainties increase the further into the future one looks; and they affect equally each major determinant of revenues—production, prices and tax deductible expenditures.

The uncertainty surrounding any projection of North Sea revenues is also illustrated by the wide range of North Sea revenue forecasts published by other forecasting bodies. In a sample of half-a-dozen recently published forecasts, the highest estimate of revenues in 1984-85 is £11bn, the lowest £9bn. The average—at £10bn—is slightly less than the FSBR projection. In 1985-86, the range is even wider, £9bn-£12bn, with an overage of just over £10bn, somewhat higher than the Treasury's latest projection.

Factors determining revenues

The main determinants of revenues from the North Sea are sterling oil prices, production and capital expenditure.

The price of oil

These projections assume that for the rest of 1984 and 1985 the nominal dollar prices of North Sea crudes will remain at about current levels (eg $30 a barrel for Brent crude). From the end of 1985, North Sea oil prices are assumed to rise in line with world oil prices, which are in turn assumed to rise in line with world inflation. It is assumed that there is no major change in the exchange rate from year to year. By the end of the period, North Sea prices in real terms are assumed to be £132 a tonne (in 1982-83 prices), somewhat lower than their estimated £140 a tonne in 1983-84.

These assumptions imply a higher sterling oil price in 1984 than was assumed at the time of last year's Budget. The projections made then assumed that for the rest of 1983 and 1984 the dollar prices of North Sea crude would on average be around the level then proposed by the British National Oil Corporation to its customers (eg $30.50 for a barrel of Brent crude); and that the effective exchange rate for sterling would "remain around its level in February 1983."

In the event, the price for Brent crude fell $0.50 a barrel on March 1 1983 to $30 a barrel, where it has remained since. With the dollar higher than expected, sterling oil prices are now higher than projected in the 1983 FSBR and are expected to remain so for the rest of 1984. By contrast, in 1985 the sterling oil price is now projected to be lower on average than was assumed in the 1983 FSBR. This is because it is no longer assumed, as it was then, that nominal dollar oil prices rise during 1985 in line with world inflation.

As the table shows, forecasts of future production have been subject to wide margins of error.

Production

The accompanying table sets out successive forecast ranges of total oil production as published by the Department of Energy in its "Brown Book" (Development of oil and gas resources of the United Kingdom), and compares them with recorded production for the years to 1983. The table also includes the latest forecast ranges.*

As the table shows, forecasts of future production have been subject to wide margins of error. When North Sea production was building up rapidly, there was a persistent tendency for production to turn out lower than projected. In 1982 and 1983, however, production has turned out very close to the top of the range expected at the beginning of the year. In 1983 production has been higher than expected both in existing fields and in fields that come on stream during the year.

The latest forecast ranges for North Sea oil and natural gas liquids production are somewhat higher than those in the 1983 Brown Book. This reflects the better-than-expected performance in 1983. The Department of Energy believes that the most likely outcome is at around the centre of the range.

Capital spending and other costs

The projections of aggregate capital expenditure and operating costs are based on figures supplied by the oil companies. The Department of Energy adjusts these figures to take account of independent information and of any persistent tendencies towards overestimation or underestimation.

The levels of current and capital spending (including exploration expenditure) are important determinants of the size of tax receipts because they are deductible for petroleum revenue tax and corporation tax. Since the projections made at this time last year, there have been some increases in the amount of future exploration and capital expenditures assumed. Expenditures on future gasfields, following the renewed interest now being shown by the oil companies in the Southern Basin of the North Sea, account for most of the increase in projected capital spending.

Comparison with previous Government projections

Government revenues from the North Sea in 1983-84 are now expected to be £9bn, or about £1bn more than was projected at this time last year and about the same as was expected at the time of last year's autumn statement. Higher-than-expected production in 1983 accounts for most of the discrepancy compared with last year's FSBR projections. The assumption about average sterling oil prices in 1983 made at this time last year was slightly too low.

Revenues in 1984-85 are now projected to be about £10bn, compared with £8bn in last year's FSBR and £9.5bn in the autumn statement. The assumptions of higher sterling oil prices and higher production in 1984 than in the previous projections explain the revision. Revenues in 1985-86 are projected to be about the same as in last year's FSBR. The effect of assuming higher production is broadly offset by lower oil prices and higher capital spending, principally in new gasfields.

COMPARISON WITH OUTSIDE FORECASTS

The projection of North Sea revenues of £10bn in 1984-85 is a little higher than the average of a number of other recently published forecasts. In 1985-86 and 1986-87, the Treasury's projections are lower than the average.

Identifying the reasons for different forecasts of North Sea revenues is difficult. The assumptions underlying each forecast are not always made explicit. And differences in the way forecasts of North Sea taxes are modelled can be important. In general, other forecasters tend to assume higher sterling oil prices than the Treasury, increasingly so the further ahead one looks. This probably reflects differences in assumption about the extent to which OPEC will be able to raise nominal oil prices to offset the effect of inflation on their purchasing power. Differences in what is assumed about future production are not marked.

* Given by the Minister of State for Energy in answer to a parliamentary question on March 2, 1984 (Official Report, cols 361-362).

OIL PRODUCTION FORECASTS*

m tonnes

Forecasts made in:	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
1976	15-20	35-45	55-70	75-95	95-115								
1977		40-45	60-70	80-95	90-110	100-120							
1978			55-65	80-95	90-110	100-120	105-125						
1979				70-80	85-105	95-115	115-140	115-140					
1980					80-85	85-105	90-120	95-130	95-125				
1981						80-95	85-110	85-115	90-120				
1982							90-105	90-115	95-125	95-130			
1983								95-115	95-125	95-125	85-120		
1984									110-130	110-130	100-125	85-115	80-115
Outturn	12.2	38.3	54.0	77.9	80.5	89.4	103.2	114.9†	—	—	—	—	—

* Including natural gas liquids (NGLs) on onshore production. † Provisional.

COMPOSITION OF NORTH SEA REVENUES

£bn, current prices

	Royalties FSBR 1983	Royalties FSBR 1984	PRT* FSBR 1983	PRT* FSBR 1984	Corporation Tax† FSBR 1983	Corporation Tax† FSBR 1984	Total FSBR 1983	Total FSBR 1984
1983-84	1.6	1.9	5.2	6.1	1.0	0.9	7.8	8.9
1984-85	—	2.0	—	6.0	—	2.2	—	10.2

* Including advance payments. † Before any set-off in respect of ACT.

TOTAL NORTH SEA OIL AND GAS REVENUES*

£bn, current prices

	FSBR 1981†	FSBR 1982	FSBR 1983	Autumn Statement 1983	FSBR 1984
1982-83	7	6	8	8	7.8
1983-84	8	8	8	9	9
1984-85	—	8	8	9½	10
1985-86	—	—	8½	—	9½
1986-87	—	—	—	—	9½
1987-88	—	—	—	—	9½
1988-89	—	—	—	—	9

* The figures include receipts from royalties, petroleum revenue tax (including advance payments) and corporation tax, before any set-off in respect of advance corporation tax (ACT). They also include receipts from supplementary petroleum duty in 1982-83. They do not include non-recurrent payments on the grant of licences. † Updated to current prices.

Corporation and Petroleum Revenue Taxes

Reform to bring down marginal rates and royalties

AFTER the Chancellor sat down the Inland Revenue issued the following statement:

The most important change in taxation affecting the oil industry in the Chancellor's Budget is the general reform of business tax. This will have the effect of bringing down the marginal rate of tax and royalties on oil production.

In addition the Chancellor proposes:

- A number of measures to prevent loss of tax where interests in oil fields are transferred from one licensee to another ("farmouts").
- To abolish the repayment of advance corporation tax arising from a petroleum revenue tax (PRT) deduction for corporation tax.
- To extend the Inland Revenue's powers to get information relevant to corporation tax transfer pricing rules to cover information of "groups of companies" relevant to valuations for PRT.
- To remedy two defects in the provisions concerning the taxation of non-residents.

Following representations by the oil industry, the Chancellor proposes to review the tax position of additional investment in existing fields (such as enhanced oil recovery projects) in consultation with the industry. If the review shows that changes are appropriate to ensure that worthwhile incremental projects are attractive after tax, these will be introduced next year (for projects receiving development consent after today).

Major items

Corporation tax:

Of most significance to the oil industry will be the phasing out of first year allowances for plant and machinery (from 100 per cent to 75 per cent in 1984-1985, 50 per cent in 1985-86 and nil thereafter); the change in timing of writing down allowances from being given only when an asset is brought into use to being given as soon as the expenditure is incurred (to be introduced in Finance Bill 1985); and the reduction in corporation tax rate from 52 per cent to 50 per cent in 1983-84, 45 per cent in 1984-85, 40 per cent in 1985-86 and 35 per cent in 1986-87.

This will reduce the marginal rate of tax and royalties on existing fields from 89.5 per cent to 88.73 per cent. For offshore fields outside the Southern Basin given development consent after April 1 1982, which benefit from the abolition of royalties provided by the Petroleum Royalties (Relief) Act 1983, the marginal rate will be reduced from 88 per cent to 83.75 per cent.

Southern Basin fields:

Last year the Government introduced two reliefs specially for new offshore fields—abolition of royalties and doubling of PRT oil allowance. These reliefs were not extended to Southern Basin fields (those between 52 deg N and 55 deg N and East of the UK) because preliminary indications were these were profitable without additional relief. Costs are less because they are in shallow water and can often benefit from the extensive existing infrastructure. Sir Geoffrey Howe announced that discussions would be held with the industry on whether there was a need to extend the reliefs to Southern Basin fields. This review has, however, shown that these fields are in fact sufficiently profitable on existing rules and so no change is being made in their treatment.

Review of incremental projects:

PRT is on a field basis with what is a field being determined by the Secretary of State for Energy on geological grounds. This means that the tax treatment of a project differs according to whether the project relates to a separate field (geologically speaking) or whether it is incremental to an existing field. In the former case the costs of development cannot be set off against income from any other field for PRT, but the project benefits from PRT oil allowance. In the latter case the costs of development can be set off against income from the existing field but there is no extra oil allowance. Typical incremental projects include additional platforms to get at additional oil within the field and enhanced oil recovery projects. The industry has made representations that some incremental projects are not sufficiently attractive after royalty and tax. The Chancellor proposes a review of the position in consultation with the oil industry. If the review indicates that changes are appropriate, he proposes to legislate for them next year, and, in order to prevent deferral of projects meanwhile, to apply them to all projects which receive development consent after today. Discussions with the UK Offshore Operators' Association (UKOOA) will be commencing shortly.

Farmouts:

The Chancellor announced on September 13 1983 that he was withdrawing PRT abortive exploration relief, appraisal and exploration relief and unrelievable field loss relief against mature fields in which the claimant or an associated company became a participator after the date the expenditure was incurred. This was intended to prevent the acceleration of relief for past expenditure by transferring interests in a field from one company to another ("farmouts").

The Chancellor now proposes complementary corporation tax measures for farmouts on or after today.

Capital gains:

In future, offsets against chargeable gains arising on farmouts will only be allowed for losses, charges and group relief which arise from oil exploration or exploitation activities. There are already rules restricting offsets for such reliefs against corporation tax on income from oil exploration and exploitation (the North Sea "ring fence"); these rules will now be extended to cover gains on a farmout disposal. Farmout disposals will include disposals of part or all of and interest under a licence, disposals of rights under "illustrative agreements" (whereby rights and liabilities relating to petroleum are transferred from the licensee to an associated company) and disposals of assets used in connection with a field if the disposals is in pursuance of a transfer of an interest in the field. In addition where a company ceases to be a member of a group within six years of acquiring an asset from another member of the group as part of a farmout, the "degrouping charge" will be treated as a farmout gain subject to the ring fence rules.

Where the seller in a farmout reinvests the proceeds in another business asset and the gain is eligible for the capital gains tax rollover relief for replacement of business assets (under Section 115-121 Capital Gains Tax Act 1979) the relief will only be given if the proceeds are reinvested in assets used for the ring fence trade. The gain will in such case be treated (as under the existing rules for reinvestment in depreciating assets) as a deferred gain for 10 years (or until the replacement asset is no longer used for the ring fence trade or is disposed of, if earlier) and it will remain subject to the ring fence rules when it accrues.

Capital allowances:

Where plant or machinery is acquired in pursuance of a transfer of an interest in a field, the buyer's capital allowances will be restricted to the original cost of the asset to the seller. At present tax is lost where assets are transferred at a gain from one participator to another because the buyer gets capital allowances at the full corporation tax rates on the increased value of the assets whereas the seller only pays at the lower capital gains rate of tax on the increase in value.

Yield from farmout measures:

The yield from these measures is very uncertain because it depends on the level of farmouts and the form they take. If the level remains comparable with experience in 1983 these measures will raise about £35m in a full year. The changes will not remove all tax benefits from farmouts; in particular it will still be possible to accelerate relief for the cost of future activity by farming into existing fields. They should not inhibit farmouts generally but will ensure there is not an uncovenanted tax gain not linked to any future exploration or development activity.

Repayment of ACT

Where a company has paid any petroleum revenue tax, an amount equal to the payment is deducted from its oil extraction income in calculating its income for corporation tax (Section 17 (1) Oil Taxation Act 1975). A further provision in addition allows advance corporation tax (ACT) to be repaid to the extent that it cannot be set off against corporation tax because of this PRT deduction (section 17(3) ibid). The Chancellor has decided that there is now no sufficient justification for the tax yield on oil extraction profits to be reduced by this second provision for the repayment of ACT. He therefore proposes to repeal Section 17(3) in respect of accounting periods ending on or after April 1 1984.

This measure will yield about £100m in 1984-85 and £150m in a full year.

Taxation of non-residents:

The Chancellor proposes to remedy two defects in the provisions concerning the taxation of non-residents:

a. Gains on the disposal of exploration or exploitation rights by non-residents are chargeable to corporation tax or capital gains tax (Section 38 (4) Finance Act 1973) but not—except in certain circumstances where the asset is situated in the United Kingdom—those on the disposal of assets, such as a pipeline, used for offshore activities carried on in connection with exploration or exploitation. Disposals on or after Budget Day of fixed or dedicated mobile assets so used, or an interest in them, are being brought within the charge to United Kingdom tax where not already within it.

b. The activities themselves are already within the charge to United Kingdom taxation (Section 38 (4) Finance Act 1973). There is also a recovery provision (paragraphs 4 to 8, Schedule 15, Finance Act 1973) to enable tax due from, but unpaid by, eg a non-resident contractor working for a licensee (otherwise than through a branch or agency in the United Kingdom) to be recovered in certain circumstances from the licensee. Provision will now be made for apportioning the tax when the non-resident contractor works for the holders of more than one licence.

Stamp duty

Transfers of shares and other property to be charged at 1%

AFTER THE Chancellor's speech the Inland Revenue issued the following statement:

The Chancellor proposed in his Budget to cut to 1 per cent the ad valorem stamp duty on sales of shares and other property (including houses) and to introduce a £30,000 exemption threshold and abolish the ½ per cent reduced rate band for transfers of houses, etc.

Shares and other Marketable Securities:

Stamp duty on transfers of shares and certain other marketable securities is charged at 2 per cent on the price or value of the property transferred except that where the purchaser is resident outside the scheduled territories the rate is 1 per cent. Most categories of loan stock are exempt from stamp duty on transfer.

The 2 per cent rate is being cut to 1 per cent to be expressed as £1 per £100 or part of £100 of the consideration where this exceeds £500. Where the consideration is £500 or less the new duty will be 50p per £50 or part of £50 of the consideration. Non-resident purchasers will in future pay the same rate of stamp duty as other people.

Stamp duty on bearer securities is an once-for-all charge imposed when they are first issued, or in the case of overseas bearers, first negotiated in this country. The duty on British bearer securities and overseas bearer securities is a once-for-all twice the transfer duty rate respectively. The new rates will be 3 per cent and 2 per cent. The duty (currently 10p per £50) on depositary certificates for overseas stock and overseas bearer instruments by usage remains unchanged. The 10p fixed duty on substitute bearer instruments is also unchanged.

Other Property:

In the case of most other categories of property (including in particular houses) no stamp duty is payable if the price or value of the property does not exceed £25,000. Reduced rates of ½, 1 and 1½ per cent are payable on prices or values between £25,000 and £40,000. The standard 2 per cent rate of estamp duty is chargeable on values over £40,000. The £25,000 threshold is being increased to £30,000. For transfers over £30,000 duty will be charged at 1 per cent on the same scale that is to apply to shares and other marketable securities (see above). The ½ per cent reduced rate band is being abolished.

Starting Date:

The Budget Resolution provides for the new rates of duty to apply to instruments executed on or after March 20 1984 and to instruments executed on or after March 13 which are stamped on or after March 20. Any instruments exeukted on or after March 13 which are stamped before March 20 attract duty at the existing rates. Stamp Offices will not, however, stamp such instruments presented for stampting on 14, 15, 16 and 19 March until March 20 unless specifially asked to do so by the applicant whether they are presented in person or by post.

In the case of Stock Exchange transactions the new rates of duty apply to transactions which take place in the Stock Exchange Account which began on March 12 1984 wheer settlement is due on or after March 13 1984.

Stamp Duty Reform:

A consultative document was issued 12 months ago examining the scope for modernising and streamlining stamp duties. Theer has been a positive and encouraging response to this document which is still being studied. Apart from the three changes described in a separate Press release the Chancellor is proposing no other stamp duty changes in this year's Budget. In particular the various lease duty rates and limits are being left unchanged.

The consultative document drew attention to a number of anomalies that arise under the present lease duty rules and put forward some possible solutions. Although there is a wide measure of agreement amongst those woh responded to the consultative document that the present rules do give rise to anomalies there is at present no consensus as to what should be put in their place.

Three changes to stamp duty law:

An agreement for a lease for a term exceeding 35 years will become liable to lease duty; the special rules that govern the duty payable on sub-sales will not apply where the amount paid by the sub-purchaser is property; and the special stamp duty rule that applies to those buying their public sector homes under the Right to Buy scheme will apply additionally to sales by the United Kingdom Atomic Energy Authority and where the conveyance is by a sub-lease from a housing association.

Agreement for Leases:

Section 75 of the Stamp Act 1891 provides that an agreement for a lease for any term not exceeding 35 years, or for an indefinite term, is to be charged with the same duty as if it were an actual lease. It is proposed that the exception for agreements for leases for more than 35 years should be removed. Such agreements will become liable to lease duty in the same way as agreements for leases for 35 years or less. Where duty is paid on a lease agreement and subsequently a lease is granted which is either in conformity with the agreement or relates to substantially the same property and term as the agreement the duty payable on the lease is reduced accordingly.

It is further proposed that where there is a conveyance or transfer of a freehold or leasehold interest subject to an agreement for a lease for more than 35 years, the conveyance or transfer instrument is not to be taken as duly stamped unless the duty on the agreement is denoted on the conveyance, etc. However, this rule is not to apply where the agreement is directly enforceable against another interest in the land. The normal provisions that govern late stamping are to apply.

These changes apply to any agreement for lease entered into on or after March 20 1984.

Life assurance

Premium relief abolished and loopholes plugged

THE Inland Revenue yesterday released the following details regarding life assurance and changes to the chargeable events provisions covered in Section 394 (3) of the Income and Corporation Taxes Act, 1975:

The Chancellor proposes in his Budget to include legislation in this year's Finance Bill to remedy a defect in the "roll over" provision in Section 394 (3) of the 1970 Taxes Act ("chargeable events" provisions). This defect enabled higher rate taxpayers to extract their profits from non-qualifying life assurance policies without incurring the tax liability which normally applies. In recent weeks, some life assurance companies were marketing packages specifically aimed at exploiting this defect. This notice explains how this defect arises and how the Government proposes to

The problem:

The law provides for different tax regimes for qualifying and non-qualifying life assurance policies. Qualifying policies enjoy more advantageous tax treatment. In particular, any profits on maturity are normally exempt from tax. The corollary is that they must satisfy certain statutory requirements. Non-qualifying policies are not subject to such restrictions, but enjoy less favourabla tax treatment and, in particular, profits on maturity should normally be subject to income tax. However, there is no basic rate liability. This is regarded as satisfied by the tax charged on the investment income of the life office.

Sections 393 to 402 of the Taxes Act (the "chargeable events" legislation) contain the relevant provisions for taxing, inter alia, the profits arising from non-qualifying policies. But Section 394 (3) provides that the maturity of a life assurance policy is not a chargeable event if an option conferred by that policy to take out a new policy is exercised. The purpose of this provision is that, where the proceeds of a non-qualifying policy are reinvested in a new policy, the gain on the maturity of the old policy should be "rolled over" and not taxed until a chargeable event arises on the new policy. But because the legislation does not require the proceeds from the old policy to be reinvested ina the new one, the aim of the provision can be frustrated if the new policy is a term assurance with a nominal premium, since no chargeable event will arise unless the policyholder dies within the term.

At least two life assurance companies have recently begun to offer "packages" of policies which exploit this defect in order to allow investors annual tax-free income during the life of the "package" and a tax-free sum after as little as seven and a half years. But any non-qualifying policy in isolation could, by including a guaranteed insurability option in its terms, take advantage of the loophole in Section 394 (3) to aviod any income tax on maturity.

The proposed solution:

The legislation will therefore provide, for any such option exercised from midnight, March 13, that the "roll over" provision in Section 394 (3) will only apply if all the proceeds from the old policy are reinvested in the new one. This approach follows the line taken on policy options in other lifa assurance changes.

LIFE ASSURANCE PREMIUM RELIEF

The Chancellor proposes to abolish Life Assurance Premimum Relief for Life assurance policies in respect of insurances made after midnight, March 13. Relief will continue to be available for policies in respect of insurances made before midnight, March 13, unless the terms of such policies are subsequently altered so as to enhance the benefits secured. This notice sets out the main points of the change and explains how policy-holders and those issuing life assurance policies will be affected.

The present position:

Under present law, UK residents who hold a qualifying life asurance policy are entitled to relief at a flat-rate 15 per cent on the premiums they pay, provided that such premiums do not exceed £1,500 or one sixth of their total income in the relevant year, whichever is greater. Since April 6 1979, they have obtained this relief by deducting from the total premium due an amount equal to the relief; the insurer has then claimed payment of the "deficiency" from the Inland Revenue.

Effect of the change on policyholders:

Tax relief is withdrawn from premiums paid in respect of new insurances made after midnight, March 13, and insurances made before then if the policyholder subsequently chooses to alider the terms of his policy in order to enhance the benefits secured (whether by exercising an option or otherwise).

Policies in respect of insurances made before midnight (other than subsequently enhanced policies) will not be affected by the proposed change. Policyholders will be entitled to continue paying premiums after deducting tax relief until the policy is terminated.

Administrative details:

As a general rule it is expected that life offices and friendly societies will offer new policies only on gross terms after March 13. The provisions cover a wide variety of institutions and types of businesses and guidelines are being sent on March 13 to individual life offices and those friendly societies which conduct assurance business.

The Finance Bill provisions will notbecome law until Royal Assent. The legislation will therefore contain measures to enable the Inland Revenue and insurers to adjust the position if, in exceptional circumstances, premiums on new policies are paid after deduction during the period up to Royal Assent.

The necessary Regulations are being made to empower those Friendly Societies and Industrial Life Offices which operate a scheme within paragraph 13, Schedule 4, Finance Act 1976 to write gross business immediately. Those few Friendly Societies not within this category are being advised separately.

RSEGISTERED FRIENDLY SOCIETIES

The Chancellor propose two changes to the tax treatment of registered friendly societies. First, he proposes to withdraw the special rules for "tax exempt" friendly societies and bring them into line with "mixed business" societies. Second, he proposes to increase the exempt limits previously applicable to the life or endowment business of friendly societies, to sums assured of £750 (previously £500) or annuities of £156 (previously £104). These new limits will apply to profits arising from all new friendly society business written after midnight, March 13. (It has been announced today in a Treasury press release that the upper limit on life and endowment business which may be assured by friendy societies is being increased from £50,000 to £50,000).

Under Section 332 of the 1970 Taxes Act, registered friendly societies are exempt from income and corporation tax subject to certain conditions. A society whose rules effectively limit it to life or endowment business with gross sums assured up to £2,000 or annust annuities up to £416 has bee nentirely exempt from tax on its profits. Such societies have been known as "tax exempt" friendly societies. Other — "mixed business" — societies, whose rules contain no such restriction on their life or endowment business, enjoy exemption in respect of profits arising from life or endowment business with gross sums assured up to £500 or annual annuities up to £104.

In recent years several new friendly societies have been established specifically in order to take advantage of the preferentiol tax treatment of "tax exempt" societies. These societies were set up for purely commercial reasons, far removed from the traditional purpose of the Friendly Society Movement.

The Chancellor therefore proposes to remove the distinction between "tax exempt" and "mixed business" friendly societies, so far as concerns new life or endowment business carried on after midnight March 13. Henceforth, all friendly societies profits arising from new lifa or endowment business will be exempt only if it is within the limits applicable to "mixed business" societies. However, these limits are to be increased from £500 to £750 (gross sums assured) and from £104 to £156 (annuities).

THE BUDGET: Details

Green Paper on The Next 10 years: Public expenditure and taxation into the 1990s

First decide what can be afforded then set spending plans

THE TREASURY yesterday issued e Green Paper on The Next 10 Years: public expenditure and taxation into the 1990s (Cmnd 9189). The following is an abstrsct.

The Government's policies for public expenditure up to 1986-1987 were set out in the Public Expenditure White Paper published on February 16. The planning total was set to grow in cash terms in the three years 1984-85 to 1986-87 by 5 per cent, 4½ per cent and 3½ per cent respectively, from £126.4bn to £136.7bn. Given the likely prospect for inflation over that period, the Government expects the level of public expenditure to remain broadly constant in real terms up to 1986-87. Further, the assumption in the Government's medium-term financial strategy, set out in part 2 of the FSBR, is that total public expenditure will remain constant at its 1986-87 level in real terms for a further two years, up to 1988-89, although decisions have yet to be taken for these years.

Beyond 1988-89, the prospects are necessarily a good deal less clear, both for public expenditure totals and for individual programmes. There will be some who will argue that it makes little sense to consider, still less to decide upon, public spending totals without a clear idea of the implications for individual programes. The Government believes that such thinking has been largely responsible for the upward drift of public expenditure over many years. It is necessary to turn the argument round the other way, to decide first what can and should be afforded, then to set expenditure plans for individual programmes consistently with that decision. This Green Paper is primarily concerned with this mejor issue. It does not, accordingly, attempt to make detailed projections of individual programmes. The grammes so far ahead in the future. But it is possible now to discern some of the pressures for still higher public spending.

It is in the nature of the public services that demands are literally limitless, because they are not restrained by the price mechanism which forces those making demands to balance them against costs. Wherever it is possible and sensible to do so, the Government is seeking to transfer the provision of services into the market sector. In other areas it may be possible to use charges as a more direct way of testing demand, even within the public sector. There may, too, be a case for hypothecating revenues to individual expenditure programmes, particularly in the social field, in order to bring home the costs. But over a wide range of services the only means of controlling the cost is for the Government to limit the supply.

Over the next decade there are reasons to expect continuing pressures for more spending, and insistent demands for improvements. One such pressure is demography—especially the effect of increasing numbers of the very elderly. Another is rising expectations, as incomes of the working population increase. In those services which depend on personal contact, there may be less scope for reducing costs by the use of new technology, so that the relative cost of providing these services will tend to increase over time. In other areas technological advance will yield substantial cost savings; but it can also open up new possibilities for improved levels of service, and therefore new demands.

The following paragraphs indicate the main pressures on individual expenditure programmes.

Since there is no clear "right" level for any particular social security benefit, there are constant demands both for real increases in the level of benefits and for extension of benefit coverage to those who do not at present qualify.

The main factor affecting the social security programme is the provision which has to be made for the elderly. About half of present expenditure goes on this group; to provide the basic state pension costs about £160m for each 100,000 pensioners. The proportion of the programme going to the elderly is likely to increase, in particular because of demographic pressures. The total number of people above pension age will show very little increase between now and 1994—from about 10.2m to 10.4m. But after the turn of the century numbers will rise rapidly as those born during the baby boom of the 1950s and early 1960s reach retirement age. The latest projections suggest a total of 12.6m by 2025.

But before the turn of the century other factors will have e major impact on the costs of provision for retirement. Although the elderly population will not increase much, the number of pensioners will increase by some 600,000—largely because more people, particularly married women, will be entitled to a pension in their own right. More significantly, the earnings-related element of the state earnings related pension scheme (SERPS) established under the 1975 Social Security Act is now beginning to increase expenditure. By the time SERPS reached maturity, most people without a private occupational pension would be entitled to a full earnings related pension in addition tothe basic state pension—and hence to a better standard of living. But the costs of the state pension would be building up to a peak at the time when the number of elderly people again begins to increase more rapidly.

The cost of provision for the elderly both before and after the turn of the century depends on the interaction of many factors, including demography; the balance between private and state pension provision; the level of additional support available through supplementary pension and housing benefit; and the policy adopted on the uprating of benefits. The Government is committed to raising the basic state pension in line with inflation. But as the recovery progresses, there is likely to be pressure for pensions to rise faster than this. The implications of the present state pension scheme and related pensions issues are under study in the Government's inquiry into provision for retirement; they remain the major source of future pressures on social security expenditure.

However, pressures on the programme are not confined to expenditure on the elderly. Expenditure on disability benefits has been growing rapidly. To meet the calls for a comprehensive disability benefit would cost about £3bn a year. Increases in child benefit are often advocated not only to alleviate family poverty, but also to reduce the poverty and unemployment traps. But significant increases in this universal benefit are very expensive; each £1 on child benefit cost £500m in a full year.

Nevertheless, as the economic recovery continues and the number of those unemployed falls, the pressures on the social security programmes will abate. For each 100,000 fewer unemployed there should be a fall in the cost of benefits to the unemployed of around £185m.

Defence:

It is difficult to be confident of a reduction in international tension or in external threats to UK interests. Where these threats are backed by increasingly sophisticated equipment there will be pressure to match them by a comparable improvement in our own defence equipment. The Government will seek to offset these factors by pursuing greater value for money within the defence programme. But there will continue to be strong pressures for more expenditure on defence.

Health and personal social services:

As with social security, demographic changes constitute a major influence on this programme. Health care costs are dependent on age. At present the costs in the 0-4 age group are about twice as much per head as for those of working age; for the 65-75 age group about four times as much, and for the 75 and over age group about nine times as much. Until the early 1990s, and again from the early years of the next century, the proportion of the elderly and very elderly in the population is forecast to rise. In particular the numbers of those over 75 are forecast to rise from 3.5m in 1984 to 3.8m in 1994. If current levels of spending on the hospital and community health services per head of population in different age groups were to remain constant over time, spending would need to rise somewhat under 1 per cent a year between 1983-84 and 1993-94 simply to keep pace with demographic changes.

Medical advances may prove a major further pressure. Where these lead to simpler or non-hospital treatments, they may in fact reduce costs. But where they involve expensive equipment, expensive surgical techniques or new drugs they can lead to powerful demands for increased funds. Even where unit costs have been reduced widespread demand for such treatment may strain the resources available.

Changes in social attitudes and patterns of treatment may also pose problems for expenditure control in this programme. Increasingly, on both medical and social grounds, the aim is to keep the elderly and the mentally ill and mentally handicapped in the community. Although treatment in hospital is expensive, keeping people in the community requires heavy investment in support services—the medical professions, social workers and domiciliary support. This affects both the family practitioner services and the local authority personal social services, both of which are highly labour-intensive.

Finally, evidence from other countries suggests that increased affluence will lead to pressures for higher spending on health care. Within the UK such spending is largely financed from general taxation although there is a role for charges for those able to pay them. Here as elsewhere, demographic presures and increasing demands are not the whole story. The health service needs to achieve continuing efficiency improvements, from higher productivity and better management, following the example of private industry in recent years. Many people have chosen to make provision for some of their health needs outside the state system, while continuing to contribute towards health service costs through their taxes. As living standards continue to rise, some further increase may be expected in the numbers who so choose. These developments will moderate the pressures for an increased contribution from the taxpayer, but such pressures will continue.

Education: Demographic changes affecting education over the next decade are such that, if current levels of provision per pupil and per student were broadly maintained, education's share of GDP could be expected to decline significantly. The number of pupils in maintained schools is expected to fall from over 8.9m in 1984 to some 8m in 1991. If the cost per pupil were maintained at existing levels every 100,000 fewer pupils would lead on average to savings of around £90m a year. The latest projection, currently under review, of the number of full-time and sandwich home students in higher education shows a fall from over 500,000 now to well under 450,000 in the early 1990s, with the decline in the size of the relevant age-groups more than outweighing a continued increase in the age participation rate. This would yield savings in student grants even without a further reduction in the dependence of students on public funds for their maintenance, and also is expenditure on universities, polytechnics and colleges.

A number of factors are, however, likely to work in the opposite direction. In addition to inescapable diseconomies of scale as pupil and student numbers fall, there is a case for a better as well as e smaller teaching force and better in-service training. There will be pressure for a further increase in the participation rate of under fives, though it is currently at a record level of 40 per cent. Technological advance in industry should result, in the national interest, in extra demand for relatively expensive courses in science and technology within further and higher education—although there may be scope for involving employers and employees in the financing of some such courses.

Capital expenditure: The latest Public Expenditure White Paper shows that total public sector capital spending has remained broadly constant in real terms since 1978-79. There is no self-evidently correct level of capital spending in aggregate, but each capital project should be justified by a searching investment appraisal. Without a rigorous case-by-case assessment of this kind scarce resources will be wasted, as has all too often happened in the past. Nevertheless, in the longer term, with sustained economic growth and more demand (in the case of roads, for example, heavier traffic) there will be pressures to spend more on maintaining and improving the stock of capital assets in the public sector.

Public service pay and pensions: Public service pay and pensions account for about one-third of public expenditure—some £38½bn in 1983-84—or about 13 per cent of GDP. Each extra 1 per cent on the pay bill adds around £½bn to public expenditure. Increases in pay also lead to increases in public service pension costs. Pay and pensions have particularly heavy effects on the law and order programme (of which 73 per cent is pay and pensions), education (62 per cent), health and personal social services (56 per cent) and defence (37 per cent). Upward pressures on public service pay would have direct implications for the level of service which could be provided within a constant level of public expenditure, unless offsetting improvements in efficiency can be made.

Other countries face similar pressures on spending. In the United States it has been estimated that the two main social security trust funds which provide the old age and disability insurance faced a shortfall of between $150bn-$200bn between 1983-89 unless benefits were restrained and taxes increased. There will be serious demographic pressures in Japan on public spending programmes: it is estimated that the over-65s will increase from 9 per cent of the population at present to 16 per cent by the year 2000. In Europe, too, public expenditure has been growing much more rapidly than national income, and many countries, including France and Germany, are taking measures to curb the growth of public spending.

The Organisation for Economic Co-operation and Development Secretariat's recent survey of the prospects for social expenditure (OECD Observer, January 1984) concluded it was difficult to foresee increases in the scope or coverage of any of the main social programmes in the major OECD countries, despite the likely pressures to do so. Beyond 1990 the secretariat expected the principal challenge facing social welfare systems might be to accommodate the demands of an ageing population which required both higher provision for pensions and heavy demands on the health system. The decline of the extended family meant that older people had come to rely more on the state. The secretariat concluded that if these trends were not reversed the demands on public welfare programmes would be likely to increase.

Tax burden: As the economic recovery has gained pace from mid-1981 onwards, and with the benefit of the rapid fall in the rate of inflation, the public spending planning total has been held in successive public expenditure surveys to the cash plans announced in the 1982 White Paper. It will be vital to maintain this firm control of public expenditure in the years ahead; without it there will be little prospect of alleviation of the excessive levels of taxation of recent years.

But public expenditure in aggregate is always at risk of being driven upwards by demands in particular programmes which are not offset by reductions elsewhere. Controlling the whole calls for a rigorous application of priorities. As experience over many years and in many countries has shown, spending decisions taken issue by issue have steadily raised the burden of total spending without regard to what taxpayers will tolerate or to the consequences for incentives and growth. This process cannot be allowed to continue indefinitely.

The size of the tax burden over the next decade will depend upon a large number of factors. The two most important are the rate of economic growth and the level of public expenditure.

Economic growth: It is the Government's policy to continue the reduction in inflation of recent years so that, with appropriate micro-economic policies—the encouragement of enterprise, efficiency and flexibility—conditions are sustained for continuing economic growth and higher employment. The growth rate over the next decade will depend in part on how quickly costs and prices adjust to the Government's financial framework. More rapid adjustment, particularly in the labour market, will mean faster growth. But the growth rate will also depend on how successfully public expenditure is controlled so that the burden of taxation can be reduced and incentives improved.

For the purposes of this Green Paper it has been assumed that the economy will grow on average at 2½ per cent a year for the five years until 1988-89. For this period the projections are in line with those of the medium term financial strategy, as set out in Part 2 of the FSBR. Thereafter there are two factors pointing to some slow down in the growth rate: in the North Sea, oil and gas output may by then be in gradual decline, exerting a contractionary influence on GDP of perhaps ½ per cent a year; and the labour supply will hardly be increasing. Two alternative growth paths after 1988-89 are considered. In the first GDP grows by 2 per cent a year, equivalent to about 2¼ per cent a year for the non-North Sea sector. This is about average for the period since 1951 and significantly better than in the last decade. In the second case GDP grows at 1½ per cent a year, equivalent to about 1¾ per cent for the non-North Sea economy.

It is important to avoid over-optimistic growth assumptions since it is never difficult, if the economy grows faster than expected, either to increase public expenditure or to reduce taxes. It is very much more difficult, when the growth rate is disappointing, to cut expenditure; and damaging to raise taxes.

The North Sea: The path of North Sea tax revenues has an important bearing on the composition of the overall tax burden. Production is expected to be close to its peak level in 1984-85, and may fall steadily after that. It is assumed that by 1993-94 it may be little more than half of its peak level. The effects of this on revenues may be partly offset by a rise in oil prices. It is assumed here that, after falling over the next two years or so, real oil prices flatten off and then start to rise again as the balance of supply and demand becomes progressively tighter. The net effect is that North Sea revenues are assumed to fall in the projections from about 3 per cent of GDP in 1983-84 to about 1½ per cent of GDP in 1993-94.

Debt interest and public sector borrowing: Another important feature of the projections is the prospect for net debt interest payments. This reflects the course of public sector borrowing and interest rates. Some fall in real interest rates from present levels is to be expected, with the path depending on the course of the PSBR and world interest rates. Falling inflation also points to lower nominal rates. With stable prices by the end of the period real interest rates will have come down to more normal levels, and net debt interest may have fallen from about 3¼ per cent of GDP in 1983-84 to about 1½ per cent in 1993-94.

The debt interest projections assume that the PSBR is reduced as a percentage of GDP. If the PSBR did not fall, achievement of lower inflation would require rising real interest rates. Such a situation would not be sustainable indefinitely.

In the period to 1988-89, the PSBR is assumed to follow the illustrative path set out in the MTFS. Thereafter it is assumed to fall further as a share of GDP, from 1¾ per cent in 1988-89 to 1 per cent in 1993-94. There is inevitably some uncertainty about the precise PSBR path which would be consistent with the government's aims on inflation. But given the aim of stable prices, the scope for varying the PSBR as a share of GDP is relatively limited. If a higher path were followed, a good deal of the apparent scope for increased spending or lower taxes would be pre-empted in the event by higher debt interest payments.

The fall in the PSBR as a share of GDP after 1984-85 broadly matches the fall in net debt interest payments. Both reflect the fall in inflation in the projections, and the accompanying fall in nominal interest rates. Net of debt interest, little or no underlying change in the PSBR is assumed. On this basis, the tax burden for the non-North Sea sector can be reduced to the extent that public expenditure falls more than North Sea tax revenues as a share of GDP.

Public expenditure and the tax burden:

If the public expenditure planning total is held flat in real terms up to 1988-89 as in the MTFS, the non-North Sea tax burden will, on the assumptions used here, be lower than in 1983-84 but still slightly above its level in 1978-79.

Thereafter, the extent of the further reduction in the tax burden will depend on the growth of public expenditure. The Government intends to continue to hold public expenditure firmly in check. But the pressures are likely to build up for more spending. Therefore, rather than carry forward a single projection beyond 1988-89, this Paper explores the implications of two alternative projections—that the public expenditure planning total either stays flat or grows by 1 per cent a year in real terms over the following five years.

If the public expenditure planning total is held flat, the burden of non-North Sea tax could be brought down to well below its 1978-79 level of 34½ per cent by 1993-94. This further reduction in tax and improvement in incentives should lead to a better economic performance and thus make it more likely that the higher growth path is achieved. But even so, the tax burden would be only about 1 per cent lower than it was in 1973-74 and still some way above the level of the early 1960s. With 1 per cent growth of public expenditure the picture would be worse: after a decade the tax burden would be only a little below what it was in 1978-79. With 2 per cent growth of expenditure—ie still below the growth rate of the last 20 years—the burden of taxation would be about 36 per cent, well above the 1978-79 level.

A reduction in the burden of taxation will allow a reversal of the trends of the last 20 years—the bringing into income tax of the lower paid and the increase in the income tax paid by those on average earnings—which have been described earlier in this paper. The proportion of income taken by income tax for those on average earnings is now 20 per cent. If an extreme assumption was made that the tax reductions were concentrated entirely on income tax personal allowances then, in the worst case this percentage would fall to 17 per cent. In the best case it would be 13 per cent, back to the 1963-64 level. These calculations allow for Budget changes, including those in company taxes.

Conclusion: Public expenditure, in Britain as in other countries, has risen over many years, both in real terms and as a share of national income. It is difficult to escape the conclusion that there is an inbuilt tendency for spending to rise; and an inbuilt resistance to expenditure reductions. The inevitable consequence has been that the taxes required to pay for this spending—taxes on people and on the firms they work for—have risen broadly in step, except for limited periods, when governments increased their borrowing. Such borrowing, however, has to be repaid by a tax on future generations.

These increases in taxation have, in the government's view, had a serious impact on Britain's economic performance over many years. Since lower growth has not led to lower demands for public services, the outcome, year after year, has been still higher taxation to finance ever higher public expenditure.

As public spending takes a larger and larger share of GDP, so the public sector steadily encroaches on the rest of the economy. This is a process which could not be allowed to go on indefinitely. Last month's Public Expenditure White Paper confirmed the Government's determination to hold its spending at broadly its present level in real terms for the next three years.

Inevitably it will not be easy to keep spending in check over the next 10 years. There will be demands on all sides—in the fields of defence, social security, health and education, to name but a few—to improve public services, and there will also be arguments that additional spending is required in some cases simply to stand still and prevent these services from deteriorating. Some of this will, no doubt, be special pleading; but in some cases programmes will need to be increased, and the increases financed by reductions in programmes of lower priority, or by further efficiency savings.

This Green Paper shows that without firm control over public spending there can be no prospect of bringing the burden of tax back to tolerable levels. On the illustrative framework set out in this Paper the tax burden will be reduced to the levels of the early 1970s only if public expenditure is held broadly at its present level in real terms right up to 1993-94.

If, on the other hand, we assume what by historical standards is a very modest rate of public expenditure growth—1 per cent a year in real terms after 1988-89, compared with the average 3 per cent growth of the past 20 years—the tax burden would be only just below its 1978-79 level even after 10 years of growth in the economy at about 2 per cent a year, and it would still be some way above its level in the early 1960s.

In order to underline the inescapable connection—so often overlooked—in public debate on these issues—between public spending and the taxes required to finance it, the projections in this Green Paper have concentrated upon quantifying the reduction in the tax burden which different combinations of circumstances might produce. But it would, of course, always be open to the Government to decide, once the virtuous circle of lower taxes and higher growth had been established, to devote some of these resources to improved public services rather than reduced taxation. There should, however, be no general presumption that higher public spending is inevitable if provision in these areas is to be improved, given the scope for switching from public to private sectors, and for improved efficiency within the public sector.

All these projections are, of course, subject to wide range of uncertainty. But on one issue there can be no room for doubt: the Government and Parliament must reach their own judgment about what public expenditure in total can be afforded, then contain individual programmes within that total. If the public discussion of these important issues leads to a wider understanding of the fact that finance must determine expenditure, not expenditure finance the discussion will have served a useful purpose.

The Government looks forward to a continuing debate on the fiscal prospects in the longer term. There will, no doubt, be much discussion of the validity and realism of the broad economic assumptions made in this Green Paper; of the conclusions to be drawn for individual programmes from the consideration of future pressures on public spending; and of whether the additional resources created by continuing economic growth should go to reducing the present, historically high, level of taxation, or to further improvements in the public services, or to both in some degree. But the Government hopes that the main theme of this Green Paper will remain at the centre of the debate: that to break away from the debilitating pattern of the past in which public spending and taxation took an ever-larger share of our national product, we must establish a clear view of what can be afforded; set our spending plans accordingly; then stick to these plans.

BURDEN OF TAXATION IN MTFS PERIOD

(per cent)

	1973-74	1978-79	1983-84	1988-89
Non-North Sea tax*	33	34½	38½	35½
Total taxes†	33	34	39	36

* As a proportion of non-North Sea GDP (at market prices).
† As a proportion of GDP (at market prices).

DEMOGRAPHIC PROJECTIONS FOR UK

m	1981	1984	1991	1994
Under 15	11.6	11.0	11.1	11.7
(as % total)	(20.6)	(19.5)	(19.5)	(20.4)
15 to pensionable age	34.6	35.1	35.3	35.2
(as % total)	(61.6)	(62.4)	(62.0)	(61.5)
Pensionable age	10.1	10.2	10.5	10.4
(as % total)	(17.9)	(18.1)	(18.4)	(18.1)
Total	56.3	56.3	56.9	57.3
of which over 75	3.3	3.5	3.9	3.8
(as % total)	(5.8)	(6.2)	(6.9)	(6.7)

Source: Office of Population, Censuses and Surveys (OPCS).

NON-NORTH SEA TAXATION IN 1993-94

Per cent of non-North Sea GDP at market prices

GDP growth after 1988-89 (per annum)	Public expenditure growth after 1988-89 (per annum): Zero	1%
1½ per cent	32½	34
2 per cent	31½	33½

Composite rate scheme for bank interest

Towards greater parity of tax treatment of interest paid by banks and building societies

AFTER the Chancellor's speech the Inland Revenue said in the following statement. The Chancellor proposes in his Budget to introduce a composite rate scheme for interest paid by banks and certain other institutions to individuals resident in the UK. It is proposed that the new arrangements should take effect from April 6, 1985.

The new scheme will hlep to achieve greater parity of tax treatment of interest paid by banks and the building societies (who have operated composite rate arrangements for many years).

It wil simplify the system for the great majority of taxpaying individual bank customers; unless they are liable at higher rates, there will be no further income tax to pay on the interest received.

It will lead, as compared to present arrangements for collecting tax due through PAYE coding or by assessment, to significant staff savings (up to 1,000) for the Inland Revenue; it will also avoid significant additional staff (possibly up to 3,000 or more) being needed in future if interest bearing current accounts become more widespread.

In order to provide a continuing option to receive gross interest for the small personal saver who may not be a taxpayer, National Savings gross facilities will be excluded from the scheme.

An outline of the proposed scheme is set out below.

Outline of the proposed scheme.

1. From April 6, 1985 banks and certain other institutions are to pay interest to depositors who are individuals ordinarily resident in the UK subject to tax at a composite rate, and periodically to account to the Inland Revenue for the composite rate tax.

Institutions within the scheme

2. The institutions to be brought within the scheme are as follows:

Bank of England;
Recognised banks, including municipal banks, and other institutions licensed to take deposits under the Banking Act 1979;
Post Office (National Giro Bank);
Trustee Savings Banks;
Banks formed under the Savings Bank (Scotland) Act 1819.

3. There will be enabling provisions to allow further deposit-taking institutions to be brought within the scheme, if necessary, at a later stage.

4. Most interest paid to individual depositors with local authorities is annual interest and already subject to deduction of basic rate tax, but "short" interest which arises on some borrowing is paid gross. It is proposed that local authorities should be included in the scheme. But further consideration is needed of how the scheme will apply in detail in the special circumstances of local authorities, and the implementation date for local authorities will therefore be April 6 1986.

5. It is proposed that National Savings gross paying facilities should be excluded from the scheme. These are the National Savings Ordinary Account, the Investment Account, the Income Bond, and the Deposit Bond.

Interest

6. The scheme will cover most interest paid or credited by the institutions concerned in respect of money held on deposit, including all interest on deposit accounts, other savings accounts and current accounts. The main exclusions are interest on certificates of deposit and time deposits, whether denominated in sterling or foreign currency, provided that the denomination is for not less than £50,000 and the term is not less than 28 days.

Depositors

7. The institutions concerned will account for tax at a composite rate on interest paid or credited in respect of deposits beneficially owned by individuals who are ordinarily resident in the UK, whether the accounts are held solely or jointly. The scheme will also apply to accounts held in the names of personal representatives, and to trusts (other than discretionary and accumulation trusts) where all the beneficiaries entitled to the interest are individuals.

8. Non-resident depositors who would otherwise be within the scheme (ie. individuals other than those holding excluded certificates of deposit or time deposits) will be able to take themselves outside the scheme (so that they are not subject to composite rate) by providing their bank with a certificate to the effect that they are not ordinarily resident in (ie. habitually resident outside of) the UK.

9. The scheme is limited to individual account holders (see paragraph 7 above) and thus account holders who are companies, incorporated and unincorporated charities (including charitable trusts), pension funds, societies, associations, clubs, churches, etc., are not within the scheme and the interest paid to them will not be subject to tax at a composite rate.

Composite rate

10. The composite rate will reflect the fact that some depositors are liable and some are not liable to income tax at the basic rate. Although the composite rate will be less than the basic rate of income tax, account holders will be treated as if their liability to income tax at the basic rate had been met in full. A depositor who is not liable to income tax will not however be entitled to repayment of tax. The scheme is similar in its effect to the long-standing arrangements for building society interest paid to individuals.

11. In order that institutions should in general know the appropriate rate of composite rate tax before relevant interest starts to accrue, it is proposed that the composite rate for a fiscal year should be determined by December 31 in the preceding fiscal year, by reference to rates, personal reliefs, and general level of incomes in the preceding year.

THE BUDGET: Details

Increases in income tax allowances

Tax reductions compensate for inflation

PERSONAL ALLOWANCES

	1983-84 level	Proposed increase		1984-85 proposed level
	£	£	%	£
Single person's allowance (and wife's earned income relief)	1,785	220	12.3	2,005
Married man's allowance	2,795	360	12.9	3,155
Additional personal allowance and widow's bereavement allowance	1,010	140	13.9	1,150
Age allowance (single)	2,360	130	5.5	2,490
Age allowance (married)	3,755	200	5.3	3,955

RATES AND RATE BANDS

Rate of tax	1983-84 taxable income	Proposed increase in starting point		1984-85 taxable income
%	£	£	%	£
30	0-14,600	—	—	0-15,400
40	14,601-17,200	800	5.5	15,401-18,200
50	21,801-28,900	1,300	6.0	23,101-30,600
45	17,201-21,800	1,000	5.8	18,201-23,100
55	28,901-36,000	1,700	5.9	30,601-38,100
60	over 36,000	2,100	5.8	over 38,100

IN HIS Budget Statement yesterday the Chancellor announced increases in the main income tax allowances which go well beyond those needed to compensate for inflation over the past year. The increases in allowances will be worth £2.08 a week to a married man and £1.27 a week to a single person or wife with a job who pay tax at the basic rate.

The tax reductions—including any tax overpaid after April 6—should be reflected in pay packets on the first pay day after May 10. The increases in allowances mean that some 850,000 fewer people will pay income tax in 1984-85 than if the allowances had remained at the 1983-84 levels, and 400,000 fewer than if allowances had been increased only in line with inflation.

The married man's allowance and the single allowance will be increased by around 12½ per cent. These increases are some 7 percentage points higher than the increases required by the indexation provisions of the Finance Act 1980. This indexation requirement is for increases to match the increase in the Retail Prices Index in the year to December 1983, which is 5.3 per cent. For married men paying tax at the basic rate, income tax payments in 1984-85 will be £1.21 per week lower than if the married man's allowance had only been indexed; the corresponding reduction for single people and earning wives is 69p per week. The additional personal allowance (mainly for single parents) and the widow's bereavement allowance—which are automatically equal to the difference between the married and single allowances—increase by just under 14 per cent.

The age allowances, the income limit for age allowance and the threshold and rate bands for the higher rates of tax are to be increased by the amounts required by the indexation provisions.

The Chancellor also announced the abolition of the investment income surcharge. This will benefit about 280,000 taxpayers, of whom about 160,000 are over 65.

COSTS (£m)

	Total cost 1984-85	Full year	Cost above indexation 1984-85	Full year
Personal allowances	1,715	2,110	915	1,130
Basic rate limit	45	75	0	0
Further higher rate thresholds	35	85	0	0
Investment income surcharge	25	340	25	340
Totals	1,820	2,610	940	1,470

The total revenue cost of these proposals will be some £1.8bn in 1984-85 and £2.6bn in a full year that is some £940m in 1984-85 and £1.47bn in a full year in excess of the cost of implementing only the statutory indexation requirement. Details are in the following table: the bulk of the cost is for the increase in personal allowances.

A statement from the Inland Revenue gave details of PAYE arrangements:

Increases in personal allowances and changes in bands of income chargeable

Tax offices will be sending to employers instructions to increase codes ending in L, H, P and V by the appropriate amounts shown above, to give effect to the increases in the personal tax allowances. These increased codes will generally take effect on the first pay day after May 10. A revised coding notice is not issued to the taxpayer when a code is increased automatically by the employer in this way. Codes which do not end in L, H, P or V will however be reviewed and amended where necessary by the tax office. Details are given in paragraph 3 below.

New tax tables for the calculation of tax deductions will be issued covering the changes in the bands of income to which the rates of tax apply. These will be supplied to employers for use after May 10.

Coding changes carried out by the tax office

Some people have PAYE codes beginning with F or ending in T. These codes will be reviewed individually by the tax office. Where a change is due the tax office will revise the code and send notification of the new coding to both the employer and the employee. These revised codes will generally take effect on the first pay day after May 10.

Increase in income limit for age allowance

Where a taxpayer otherwise meets the conditions for age allowance but has a total income exceeding a certain limit, the age allowance is reduced on this account.* It is proposed to raise this income limit to £8,100. As part of the review described in paragraph 3 tax offices will be amending codes which at present include a reduced amount of age allowance, to take account of the increase in the income limit. Where a taxpayer's income is such that no age allowance was given for 1983-84 but age allowance is now due, the tax office will revise the code as necessary in the course of examining the 1984-85 tax return. Any taxpayer who is not getting age allowance at present and who expects to be entitled to age allowance following the proposed increase in the income limit, but who is not asked by the middle of April to complete a 1984-85 tax return, should write to his or her tax office giving details of income and date of birth.

Employees liable to tax at higher rates

Some employees liable to tax at the higher rates have special adjustments in their PAYE codes

MARRIED COUPLES—HUSBAND AND WIFE BOTH WORKING—INCOME ALL EARNED

Comparison of income tax and National Insurance Contributions 1983-84 and 1984-85, where earnings increase by 6.5 per cent (NIC—contracted in)

Weekly income in 1983-84: Husband £	Wife £	Joint £	Charge in 1983-84: Income tax £	NIC £	Income taken in tax & NIC %	Adjusted weekly income in 1984-85: Husband £	Wife £	Joint £	Proposed charge in 1984-85: Income tax £	NIC £	Income taken in tax & NIC %	Change in income after tax & NIC %
120.00	40.00	160.00	21.58	14.40	22.5	127.80	42.60	170.40	21.35	15.34	21.5	7.8
	80.00	200.00	33.58	18.00	25.8		85.20	213.00	31.13	19.17	25.0	7.4
	100.00	220.00	39.58	19.80	27.0		106.50	234.30	40.52	21.09	26.3	7.5
	160.00	280.00	57.58	25.20	29.6		170.40	298.20	59.69	26.84	29.0	7.3
	200.00	320.00	69.58	28.80	30.7		213.00	340.80	72.47	30.67	30.3	7.2
160.00	40.00	200.00	33.58	18.00	25.8	170.40	42.60	213.00	34.13	19.17	25.0	7.4
	80.00	240.00	45.58	21.60	28.0		85.20	255.60	46.91	23.00	27.4	7.4
	100.00	260.00	51.58	23.40	28.8		106.50	276.90	53.30	24.92	28.2	7.4
	160.00	320.00	69.58	28.80	30.7		170.40	340.80	72.47	30.67	30.3	7.2
	200.00	360.00	81.58	32.40	31.7		213.00	383.40	85.25	34.51	31.2	7.2
200.00	40.00	240.00	45.58	21.60	28.0	213.00	42.60	255.60	46.91	23.00	27.4	7.4
	80.00	280.00	57.58	25.20	29.6		85.20	298.20	59.69	26.84	29.0	7.3
	100.00	300.00	63.58	27.00	30.2		106.50	319.50	66.08	28.75	29.7	7.3
	160.00	360.00	81.58	32.40	31.7		170.40	383.40	85.25	34.51	31.2	7.2
	200.00	400.00	94.69	36.00	33.2		213.00	426.00	101.09	38.34	32.7	7.2
250.00	40.00	290.00	60.58	24.75	29.4	266.25	42.60	308.85	62.88	26.33	28.9	7.2
	80.00	330.00	72.58	28.35	30.6		85.20	351.45	75.66	30.17	30.1	7.2
	100.00	350.00	78.58	30.15	31.1		106.50	372.75	82.06	32.08	30.6	7.2
	160.00	410.00	100.69	35.55	33.2		170.40	436.65	105.36	37.84	32.8	7.2
	200.00	450.00	114.40*	39.15	34.1		213.00	479.25	120.64*	41.67	33.9	6.9
300.00	40.00	340.00	75.58	24.75	29.5	319.50	42.60	362.10	78.86	26.33	29.0	7.2
	80.00	380.00	88.69	28.35	30.8		85.20	404.70	92.57	30.17	30.3	7.2
	100.00	400.00	94.69	30.15	31.2		106.50	426.00	101.09	32.08	31.3	7.0
	160.00	460.00	117.40*	35.55	33.2		170.40	489.90	123.83*	37.84	33.0	6.9
	200.00	500.00	129.40*	39.15	33.7		213.00	532.50	136.41*	41.67	33.5	6.9

Notes:
The adjusted incomes for 1984-85 are for illustration. They have been obtained by increasing the corresponding incomes in 1983-84 by 6.5 per cent. National Insurance Contributions are at the standard Class 1 rate for employment not contracted out of the State additional (earnings related) pension scheme.
* Denotes wife's earnings election beneficial.

MARRIED COUPLE WITH TWO CHILDREN—INCOME ALL EARNED

WEEKLY FIGURES COMPARISON WITH 1983-84 (POST-NOVEMBER) WHERE EARNINGS INCREASE BY 6.5 PER CENT BETWEEN NOVEMBER 1983 AND NOVEMBER 1984 INCOME TAX AND NATIONAL INSURANCE CONTRIBUTIONS (CONTRACTED-IN)

1983-84 (Post November 1983): Income £	Income tax £	NIC £	Child benefit £	Net income £	1984-85 (Post November 1984): Adjusted income* £	Income tax £	NIC £	Child benefit £	Net income £	Change in net income %
60.00	1.88	5.40	13.00	65.72	63.90	0.97	5.75	13.70	70.88	7.8
80.00	7.88	7.20	13.00	77.92	85.20	7.36	7.67	13.70	83.87	7.6
100.00	13.88	9.00	13.00	90.12	106.50	13.75	9.58	13.70	96.87	7.5
120.00	19.88	10.80	13.00	102.32	127.80	20.14	11.50	13.70	109.86	7.4
140.00	25.88	12.60	13.00	114.52	149.10	26.53	13.42	13.70	122.85	7.3
160.00	31.88	14.40	13.00	126.72	170.40	32.92	15.34	13.70	135.84	7.2
180.00	37.88	16.20	13.00	138.92	191.70	39.31	17.25	13.70	148.84	7.1
200.00	43.88	18.00	13.00	151.12	213.00	45.70	19.17	13.70	161.83	7.1
220.00	49.88	19.80	13.00	163.32	234.30	52.09	21.09	13.70	174.82	7.0
240.00	55.88	21.15	13.00	175.97	255.60	58.48	22.50	13.70	188.32	7.0
300.00	73.88	21.15	13.00	217.97	319.50	77.65	22.50	13.70	233.05	6.9
350.00	90.42	21.15	13.00	251.43	372.75	95.21	22.50	13.70	268.74	6.9
400.00	111.29	21.15	13.00	280.56	426.00	117.28	22.50	13.70	299.92	6.9

* The adjusted incomes shown for November 1984 are for illustration. They have been obtained by increasing the corresponding incomes in November 1983 by 6.5 per cent.
Employees' National Insurance Contributions are at the standard Class 1 rate for employment not contracted out of the State additional (earnings-related) pension scheme.
Calculations assume that only the husband has earned income.
Child benefit and one-parent benefit are assumed to increase in November 1984 in line with the movement in the general index of retail prices (RPI) between May 1983 and May 1984. The illustrative assumption used in the table is an increase of 5.5 per cent in November 1984, as in the Public Expenditure White Paper.

SINGLE PERSONS—INCOME ALL EARNED

Income £	Charge for 1983-84: Income tax £	Percentage of total income taken in tax per cent	Proposed charge for 1984-85: Income tax £	Percentage of total income taken in tax per cent	Reduction in tax after proposed charge: Income tax £	As percentage of total income per cent
2,000	64	3.2	0	0	64	3.2
2,500	214	8.6	148	5.9	66	2.6
3,000	364	12.1	298	10.0	66	2.2
4,000	664	16.6	598	15.0	66	1.7
5,000	964	19.3	898	18.0	66	1.3
6,000	1,264	21.1	1,198	20.0	66	1.1
7,000	1,564	22.3	1,498	21.4	66	0.9
8,000	1,864	23.3	1,798	22.5	66	0.8
9,000	2,164	24.0	2,098	23.3	66	0.7
10,000	2,464	24.6	2,398	24.0	66	0.7
12,000	3,064	25.5	2,998	25.0	66	0.6
14,000	3,664	26.2	3,598	25.7	66	0.5
16,000	4,264	26.7	4,198	26.2	66	0.4
18,000	5,026	27.9	4,858	27.0	168	0.9
20,000	5,877	29.4	5,658	28.3	219	1.1
25,000	8,198	32.8	7,898	31.6	300	1.2
30,000	10,697	35.7	10,392	34.6	305	1.0
40,000	16,274	40.7	15,762	39.4	512	1.3
50,000	22,274	44.5	21,757	43.5	517	1.0

MARRIED COUPLES—INCOME ALL EARNED

3,000	61	2.0	0	0.0	61	2.0
3,500	211	6.0	103	3.0	108	3.1
4,000	361	9.0	253	6.3	108	2.7
5,000	661	13.2	553	11.1	108	2.2
6,000	961	16.0	853	14.2	108	1.8
7,000	1,261	18.0	1,153	16.5	108	1.5
8,000	1,561	19.5	1,453	18.2	108	1.4
9,000	1,861	20.7	1,753	19.5	108	1.2
10,000	2,161	21.6	2,053	20.5	108	1.1
12,000	2,761	23.0	2,653	22.1	108	0.9
14,000	3,361	24.0	3,253	23.2	108	0.8
16,000	3,961	24.8	3,853	24.1	108	0.7
18,000	4,621	25.7	4,453	24.7	168	0.9
20,000	5,422	27.1	5,198	26.0	224	1.1
25,000	7,692	30.8	7,380	29.5	312	1.2
30,000	10,192	34.0	9,817	32.7	375	1.3
40,000	15,668	39.2	15,130	37.8	538	1.3
50,000	21,668	43.3	21,067	42.1	601	1.2

(Calculations for married couples assume that only the husband has earned income)

ELDERLY SINGLE PERSONS—INCOME ALL EARNED

2,500	42	1.7	3	0.1	39	1.6
3,000	192	6.4	153	5.1	39	1.3
3,500	342	9.8	303	8.7	39	1.1
4,000	492	12.3	453	11.3	39	1.0
5,000	792	15.8	753	15.1	39	0.8
6,000	1,092	18.2	1,053	17.6	39	0.7
7,000	1,392	19.9	1,353	19.3	39	0.6
8,000	1,772	22.2	1,653	20.7	119	1.5
8,500	2,014	23.7	1,883	22.2	131	1.5
9,000	2,164	24.0	2,098	23.3	66	0.7
10,000	2,464	24.6	2,398	24.0	66	0.7
12,000	3,064	25.5	2,998	25.0	66	0.6

ELDERLY MARRIED COUPLES—INCC ME ALL EARNED

4,000	73	1.8	13	0.3	60	1.5
4,500	223	5.0	163	3.6	60	1.3
5,000	373	7.5	313	6.3	60	1.2
6,000	673	11.2	613	10.2	60	1.0
7,000	973	13.9	913	13.1	60	0.9
8,000	1,353	16.9	1,213	15.2	140	1.8
8,500	1,603	18.9	1,443	17.0	160	1.9
9,000	1,853	20.6	1,693	18.8	160	1.8
10,000	2,161	21.6	2,053	20.5	108	1.1
12,000	2,761	23.0	2,653	22.1	108	0.9

(Calculations assume that only the husband has earned income)

SINGLE AND MARRIED COUPLES—INCOME ALL EARNED

COMPARISON WITH 1983-84 WHERE EARNINGS INCREASE BY 6.5 PER CENT BETWEEN 1983-84 AND 1984-85 INCOME TAX AND NATIONAL INSURANCE CONTRIBUTIONS (CONTRACTED IN)

Annual income in 1983/84 £	Charge for 1983-84: Income tax £	NIC† £	Percentage of total income taken in tax & NIC Per cent	Proposed charge for 1984-85: Adjusted* income in 1984/85 £	Income tax £	NIC† £	Percentage of total income taken in tax & NIC Per cent	Percentage charge in income after tax & NIC Per cent
Single persons								
2,000	64	180	12.2	2,130	37	192	10.8	8.3
2,500	214	225	17.6	2,662	197	239	16.4	8.0
3,000	364	270	21.1	3,195	357	287	20.2	7.8
3,500	514	315	23.7	3,727	517	335	22.9	7.6
4,000	664	360	25.6	4,260	676	383	24.9	7.6
6,000	1,264	540	30.1	6,390	1,315	575	29.6	7.2
8,000	1,864	720	32.3	8,520	1,954	767	31.9	7.1
10,000	2,464	900	33.6	10,650	2,593	958	33.3	7.0
12,000	3,064	1,080	34.5	12,780	3,232	1,150	34.3	6.9
15,000	3,964	1,100	33.8	15,975	4,191	1,170	33.6	6.8
20,000	5,877	1,100	34.9	21,300	6,233	1,170	34.8	6.7
25,000	8,198	1,100	37.2	26,625	8,705	1,170	37.1	6.7
40,000	16,274	1,100	43.4	42,600	17,317	1,170	43.4	6.6
50,000	22,274	1,100	46.7	53,250	23,707	1,170	46.7	6.6
Married couples‡								
3,000	61	270	11.0	3,195	12	287	9.4	8.5
3,500	211	315	15.0	3,727	172	335	13.6	8.3
4,000	361	360	18.0	4,260	331	383	16.8	0.1
6,000	961	540	25.0	6,390	970	575	24.2	7.7
8,000	1,561	720	28.5	8,520	1,609	767	27.9	7.4
10,000	2,161	900	30.6	10,650	2,248	958	30.1	7.3
12,000	2,761	1,080	32.0	12,780	2,887	1,150	31.6	7.2
15,000	3,661	1,100	31.7	15,975	3,846	1,170	31.4	7.0
20,000	5,422	1,100	32.6	21,300	5,718	1,170	32.3	6.9
25,000	7,692	1,100	35.2	26,625	8,130	1,170	34.9	6.9
40,000	15,668	1,100	41.9	42,600	16,627	1,170	41.8	6.8
50,000	21,668	1,100	45.5	53,250	23,017	1,170	45.4	6.7

* The adjusted incomes shown for 1984-85 are for illustration. They have been obtained by increasing the corresponding incomes in 1983-84 by 6.5 per cent.
† National Insurance Contributions are at the standard Class 1 rate for employment not contracted out of the State additional (earnings related) pension scheme.
‡ Assuming that only the husband has earned income.

Changes in the monetary aggregates

Two target ranges for monetary growth

THE Bank of England issued the following statement after the Chancellor's Budget proposals: as announced, for the new target period, from mid-February 1984 to mid-April 1985, there will be two target ranges for monetary growth. One is for narrow money, which applies to M0, and the other is for broad money, which applies to £M3. The target ranges are (at an annual rate) 4 per cent to 8 per cent for narrow money and 6 per cent to 10 per cent for broad money. In interpreting the behaviour of M0 and £M3, attention will also be paid to other indicators of narrow money, in particular M2, and of broad money, in particular PSL2; both M2 and PSL2 include building society liabilities. This statement explains certain minor adjustments to the measurement of M0 and £M3.

M0—average of weekly levels

A series for the wide monetary base, M0, has been published monthly since March 1981. It comprises notes and coin, both in circulation with the public and held in banks' tills, and banks' operational balances with the Bank of England. However, the series is affected by erratic short-term fluctuations in the banks' balances and in order to obtain a series which will be easier to interpret a new method of calculation is being adopted.

As with the other monetary and liquidity aggregates, the old series for M0 measured the level at the end of each banking month and the changes between those dates. However, unlike the other aggregates, there are full weekly figures for the main components of M0 and these have now been used to construct an averaged series.

In the new series, the level for each banking month is the average of the levels on all the Wednesdays of that month and the changes are the differences between those average levels. (The note circulation component continues to be seasonally adjusted: the new series uses the average of the seasonally adjusted Wednesday levels. As now, the banks' balances are not seasonally adjusted. The averaging achieves further smoothing.) Over periods of more than a few months, the growth in the new series is very similar to that in the old.

The target for narrow money in 1984-85 will apply to the averaged series for M0. The average amount outstanding in the banking month of February 1984, which will be the base for the new target period, is estimated at £13,160m, seasonally adjusted. The table gives figures for M0 for 1983 on the new method of calculation; a longer run of past data will be published in the March bulletin. In future, figures for this series will be published monthly.

£M3 excluding public sector deposits:

As announced on February 10, the definition of £M3 is being revised from the start of the new target period to exclude public sector deposits. M3, which is not a target aggregate, is being similarly redefined (and so is the PSBR).

The redefinition brings £M3 and M3 into line with all the other monetary and liquidity aggregates, none of which includes public sector deposits, and with practice in other countries. It removes from £M3 and M3 an element of no economic significance whose level is small but which can fluctuate by large amounts from month to month.

The amount outstanding for £M3 at mid-February 1984 on the new definition, which will be the base for the new target period, is estimated at £99,500m, seasonally adjusted.

M2:

The present aggregate M2 is compartively new. It was introduced in the June 1982 Bulletin and its definition was expanded in the March 1983 Bulletin to cover comparable building society deposits and national savings. It is a measure of the balances held by the private sector that can readily be used for transactions purposes.

Because the M2 series is as yet so abort (it starts in November 1981), it has not been possible to undertake the standard calculations to ascertain the pattern of seasonal fluctuations. Therefore the series is not seasonally adjusted.

PSL2:

There is no change in the definition or calculation of PSL2 (which already excludes public sector deposits).

PERSONAL FINANCIAL PLANNING
It is proposed to publish a survey on the above subject on Saturday, 28th April 1984
For further details and advertising rates, please contact:
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Long term finance

Path eased for company investment

The Chancellor proposes in his Budget a number of measures to make it easier for companies to obtain long term finance.

CGT Exemption for Investors in Certain Corporate Stock

Exemption from capital gains tax—on the lines of the present exemption applying to holders of gilt-edged securities—is being provided in respect of certain corporate stock issued after yesterday.

Deep Discount Securities:

The Finance Bill will contain provisions on the tax treatment of securities issued by companies at a deep discount—ie at a discount of more than half a point a year or more than 15 points overall. The discount will be treated as income accruing over the life of the security. The company issuing the security will get relief annually against profits for the accrued discount. When the investor disposes of the security or it is redeemed, the discount accrued during his period of ownership will be taxed as income.

Draft legislation was published in December 1983. A number of the representations received on the draft suggested that the new rules should not apply to any securities that may have been issued in the past as a deep discount. The Chancellor therefore proposes that the new rules should apply to securities issued after March 13. A number of other drafting changes will be made in the light of representations received.

Eurobond Interest:

The Finance Bill will include provisions to permit companies to pay interest on bearer bonds without deduction of tax if the bonds are quoted on a recognised Stock Exchange in the United Kingdom or overseas and:

(i) the interest is paid to an overseas paying agent, or

(ii) the interest is paid through a UK paying agent and is shown that the beneficial owner of the bond is not resident in the UK, or

(iii) the bond is held in a recognised clearing system.

The rules governing relief for interest will be amended to enable companies to obtain relief for interest paid gross under the new rules. The new rules will apply to inteerst paid after the passing of the Finance Bill. Draft legislation was published in December 1983, and a number of drafting changes will be made in the light of representations received.

Acceptance Credits:

Where a trading company raises short-term finance by means of bills of exchange accepted by a bank, the discount it suffers on the bills is usually alowable as a trading expense under present lew. The Finance Bill will contain a cleuse to extend relief to cover certain cases where it is not already available—for example where the company is an investment company raising finance for its trading subsidiaries. Relief will also be given for the incidental costs of raising sucb finance.

The legislation was originally introduced in the Finance Bill 1983 (Clause 33) but was not enacted. The Chancellor has decided that the relief should be backdated to the starting date originally proposed, so that it will be given for discounts on bills becoming payable, or incidental costs incurred, on or after April 1 1983.

Incidental Costs of Convertible Loan Stock

Section 38, FA 1980, which provides tax relief for the incidental costs (fees, commissions, etc) of raising ordinary business loan finance is to extended to the costs of certain convertible issues. Relief will be allowed to the extent that conversion does not take place within 3 years of the issue of the stock. This proposal restores the provision originally introduced in last year's Finance Bill. Relief will be backdaled to April 1 1983.

Stamp Duty on Convertible Loan Stock:

A Statement of Practice is being issued confirming that loan stock which carries a right of conversion into other unconvertible loan stock is exempt from stamp duty on transfer.

Woodlands tax regime changed

THE Chancellor proposes to make a limited change in the tax treatment of commercial woodlands charged under Schedule B. A person who has the use of woodlands for the purpose of felling and removing the timber in connection with his trade is not to be regarded as the occupier under Schedule B.

Under Section 92, Taxes Act the charge to tax under Schedule B is on the occupier of the woodlands and is limited to one-third of their annual value.

The amendment will prevent timber merchants who occupy woodlands as part of their normal trading operations from being taxed under Schedule B

THE BUDGET: Analysis

PUBLIC SPENDING GREEN PAPER

Treasury appears optimistic about the next decade

THE GOVERNMENT paints an optimistic picture in its green paper on public spending for the next decade, showing that present public services levels can be maintained without a rising tax burden and that public sector borrowing could be down to £1bn by 1994.

This is a marked contrast to the Treasury's view of public spending two years ago when, in the middle of the recession, it took a gloomy view. This suggested a coming crisis in the financing of public spending if the economy had continued to grow slowly, requiring a £15bn rise in taxes in order to bring public sector borrowing down to 2 per cent of GDP.

This would have meant the tax burden rising from 40 to 45 per cent of GDP by the end of the decade. It rose from 35 to 40 per cent between 1978 and 1982.

But yesterday's green paper takes a much more robust view about growth, now the recession is over and about the level of tax revenues. It assumes the economy will grow 2½ per cent in each of the years to 1988-89. Thereafter two different assumptions are tested until 1993-94.

One has GDP growing 2 per cent, during a period when North Sea oil and gas is expected to be in gradual decline. The second shows GDP expanding at 1½ per cent.

The picture which looks unassumingly modest and relatively uncontroversial is based on:

● Public spending remaining constant at its present level until 1988-89.

● Public spending then growing at 1 per cent a year until 1993-1994.

● GDP growing at 2¼ per cent until 1988-89.

● GDP then growing at 1½ per cent a year until 1993-94.

This would produce public expenditure planning totals falling as a proportion of GDP from about 40 per cent in the current year to 35½ per cent in 1988-89 and 34¾ per cent in 1993-94. In spite of falling North Sea oil revenues the burden of non-North Sea oil taxation would still fall from 36 per cent of GDP to 33½ per cent in 1993-94 and the Public Sector Borrowing Requirement, which the Government is determined to cut, would fall from about 3¼ per cent of GDP to 1½ per cent in five years and 1 per cent in 10 years.

Obviously the figures would be even better with higher growth. If the economy continued to grow at 2 per cent in each of the years after 1988 and public spending could be kept constant for the next 10 years the public expenditure planning total would fall to 32 per cent of GDP.

However, the paper cautions: "It is important to avoid over-optimistic growth assumptions sinc eit is never difficult, if the economy grows faster than expected, either to increase public expenditure or to reduce taxes. It is very much more difficult, when the growth rate is disappointing, to cut expenditure; and damaging to raise taxes."

And it points out towards the end of the paper that 1 per cent a year growth in public spending after 1988 and 2 per cent growth in the economy each year for the next 10 years would still leave the tax burden only just below its 1978-79 level and some way above the 1960s level.

In fact, the meat of the green paper is missing: the department-by-department analysis of detailed spending trends which might affect the strategy for the next ten years. Defence is the subject of one short paragraph referring vaguely to international tension and sophisticated equipment costs. The only figure is the number of the paragraph (35).

The social security and education sections present more analysis, heavily concentrated on the impact of demographic changes in the elderly and school populations in the next ten years. This avoids the politically sensitive issue of costing programmes for future years and analysing the financial impact of enhancing and reducing service levels.

However, every section, including the defence contribution, makes the point that there will continue to be "strong pressures" for more expenditure. This extends to the capital expenditure section. Lack of spending on public sector capital works in recent years, and particularly during the recession, means there is an accumulated problem.

The message behind the green paper seems to be that a very tight control is going to be needed to constrain public spending to its present level and even at that level there will have to be strong and sustained economic growth before taxes can be cut significantly.

It inevitably also assumes a stable world. In the previous 10 years of public spending there have been two unexpected oil "shocks" and the deepest recession since the 1930s, any one of which has a profound effect as the difference in tone between this green paper and the Treasury's last long-term public spending prognosis clearly demonstrates.

Robin Pauley

TAX ON FOREIGN RESIDENTS

Chancellor springs a most unwelcome surprise

THE CHANCELLOR has sprung one most unwelcome surprise. In doing so he has struck at the UK, and at London in particular, as an attractive posting for foreign executives.

The 50 per cent tax relief available on foreign emoluments, falling to 25 per cent where the recipient has been resident in the UK for nine out of the previous 10 years is to be abolished.

Foreign emoluments are those salaries and wages paid by an overseas employer to an individual who is resident but not domiciled in the UK. This includes most employees seconded to foreign banks in London.

No relief will be available for anyone arriving in the UK after Budget Day. The 25 per cent relief will cease from April 6 1984 and the 50 per cent relief is to be reduced to 25 per cent from April 6 1987 and abolished from April 6 1989. From 1989-1990 income tax will be payable on the full amount of the income.

This will reduce severely the attractiveness of the UK to an overseas executive and will diminish the incentive to regard London as the natural European capital. The tax regime in Brussels is now substantially better than in the UK and international head quarters operations will consider moving.

Additionally, relief available to UK resident individuals who work outside the UK for 30 days or more in any one tax year is to be withdrawn. This relief gave a 25 per cent deduction from income, calculated on the ratio of days abroad to 365 days and extended to individuals carrying on a trade or profession overseas. For 1984-85 the relief is to be halved to 12½ per cent and withdrawn altogether in 1985-86. However, expenses of travelling to an overseas job are to be treated more generously.

Also, payments made after today to a non-UK domiciled employee in respect of the termination of his employment (golden handshakes) by a foreign employer will no longer be entitled to a 50 per cent deduction over and above the £25,000 exemption. However, special transitional relief will be available for payments made on or before July 31, 1984 in pursuance of an already legally binding agreement.

The practical effect of these changes is illustrated thus:

● Anyone arrive after Budget Day will pay full UK income tax on his earnings for UK duties;

● An executive who has been resident but non-domiciled and who works for a non-resident employers will continue to claim 50 per cent relief for 1984-85, 1985-86 and 1986-87 but will only be entitled to 25 per cent for 1987-88 and 1988-89. From April 1989 he will pay income tax on all his earnings for UK duties;

● It does not appear that any change is proposed for the taxation of earnings for overseas duties by non domiciled individuals. These earnings are presently only taxed in the UK if remitted.

No change is to be made on the 100 per cent deduction available to an individual working abroad throughout 365 qualifying days. Since such an individual would not be subject to income tax anyway, this explains the merriment in the House when the Chancellor mentioned this point — as though it was a concession.

Extensive lobbying can be expected against the proposals which affect foreigners working in the UK. Equally, retaliation under overseas tax regimes can be anticipated.

John Underhill

TOBACCO

Industry attacks 10p rise on cigarettes

THE tobacco industry was "stunned" by the 10p increase on a packet of 20 cigarettes, describing the swingeing increase as "harsh and unfair."

Tobacco companies had been lulled into a pre-budget false sense of security, believing the Chancellor was going to add about 3p duty on a packet, which was broadly in line with inflation.

This belief was strengthened by BAT Industries' decision last month effectively to pull out of the UK cigarette market with the loss of more than 1,800 jobs, a move which the tobacco industry felt would convince the Chancellor of the harmful effects of high duty increases.

The Chancellor took note of the growing pressure from the medical profession for curbs on smoking, as well as the fact that cigarette prices were, before the budget, about 15 per cent cheaper in real terms than in 1962—the year when the Royal College of Physicians published the first medical report on the harmful effects of smoking.

The effect of the increase in duty will be to push the price of 20 King Size cigarettes—such as Silk Cut or John Player Special—from its level of £1.14 to £1.24, when stocks run out in the shops. Many retailers, however, will try not to pass on the full cost to customers because of fierce price competition.

This price war has been fuelled by the recent sales slump as a result of hefty duty increases by the Chancellor. The 14p increase in the 1981 budget led to an immediate fall in sales of over 20 per cent — and with the extra 3p added later that year — meant an overall slump in 1981 of 18 per cent. Last year's increase of 3p in line with inflation led to only a 1 per cent fall in cigarette sales last year, relative stability for the cigarette companies. This brought the total number of cigarettes smoked in the UK to fewer than 100m.

The 10p increase in duty in this year's budget is expected to lead to an immediate 10 per cent slump, with sales recovering slightly leading to an overall 5 per cent decline for the year.

Such a slump will inevitably lead to further job losses in the industry. Several thousand have already been shed over the past two years. In April, Carreras Rothman plans to shed a further 1,200 jobs when it closes its Basildon factory. Small tobacconists, already under pressure from large retailers who can afford to sell cigarettes more cheaply, may also be forced increasingly out of business.

The tobacco companies were grateful last night for one small concession from the Chancellor: the rate of duty on pipe tobacco was not increased.

David Churchill

CGT/CTT

Changes 'draw the teeth' of capital taxes

SIR GEOFFREY HOWE'S Chancellorship was notable for the annual easement in the weight of capital transfer and capital gains tax, implementing the promise of the Tories to "draw the teeth" of capital transfer tax.

Some would argue, basing their view on the high threshold, the free transfer between husband and wife, and the reliefs for industry and agriculture that, for the prudent, there were few teeth left to be drawn from CTT.

Not so the present Chancellor who maintains that the high rates discourage enterprise and risk-taking. The CTT threshold and rate bands are indexed in accordance with the provisions of the 1982 Finance Act, so that post-budget the starting rate is £64,000.

Over and above that, however, the Chancellor has proposed a major change. The top three rates of CTT are to be abolished. The maximum rate for transfers at death will now be 60 per cent, which becomes payable at £285,000 and upwards.

Another significant change is the provision that life-time transfers should be charged at half the death rate throughout the scale rather than at only 25 per cent and below. The maximum rate for life-time gifts now becomes 30 per cent.

On capital gains tax, the changes are less momentous but still significant. The threshold of the tax is raised in line with the retail price index so that, in 1984-85, the first £5,600 of gains will be exempt and for most trusts the first £2,800 of gains.

The Chancellor undertakes to implement, in the Finance Bill, a promise he had already made to double the limit for retirement relief, raising it to £100,000, backdated to April 1983.

He also promises to issue, during the next week, a consultative document on the possible changes in the relief. A further promise is to re-examine the tax as a whole, not least for its complexity. It will be particularly interesting to see if this review results in a more complete indexing of the acquisition price than the present limited provision.

The other major change proposed for CGT is the exemption of corporate bonds—but only bonds issued after budget day and which are held for more than three months before disposal. This proposal would put private bonds on the same basis as Government stock.

Cedric Sandford

WIDER SHARE OWNERSHIP

Share options' treatment receives welcome

VENTURE capitalists and small, expanding companies in particular, will welcome changes in the tax treatment of share options granted to directors and employees.

Mr Lawson dealt first with existing savings related share option schemes and announced that the £50 upper limit on monthly contributions would be raised to £100 later in the year. There are about 670 such "approved" schemes, whereby employees have to build up a lump sum through a special five-year Save-As-You-Earn contract before they can exercise their options.

More significantly, however, the Chancellor revealed that a new type of non-savings related share option scheme will come into effect from the beginning of the next financial year, under which the proceeds to participants will be taxed as a capital gain rather than income.

There are roughly 1,000 companies in the UK which operate this type of scheme. But participants suffer from a major drawback.

This is that on exercising the option an individual director or employee becomes liable to income tax on any increase in the value of the share between the date the option was granted and the date of exercise. This is regardless of whether or not tha shares are sold.

Under the arrangements proposed yesterday — and urged by the British Venture Capital Association and 31 Ventures among others — individuals' income tax liability will not only be replaced by the less harsh capital gains tax but tax will become payable only once a disposal of the shares has taken place.

"Scheme participants will be relieved of the Schedule E income tax charge which under present law arises et the time of option exercise on any increase in the value of the shares between the date of grant of the option and the date of the exercise," the Revenue said yesterday. "Instead, tha whole gain represented by the difference between the full costs of the shares under the option and the disposal proceeds will be charged under the normal rules of capital gains tax when disposal of the shares takes place."

Detailed conditions to be observed by the new approved schemes will be published with the Finance Bill and will relate to such matters as the size of options being granted (currently up to four times salary), the duration of the options (currently about seven years) and the frequency of their exercise.

A similar experiment was introduced by the Heath Government in 1972 but the income-tax relief was reduced in 1974. It is thought that the new scheme will enable small companies more easily to attract "key" employees.

Initial reaction from small business lobbyists was welcoming. Although there was no "small business package" as such, commentators felt the overall impact would create a climate more favourable to enterprise and profits.

Mr Roger Harris, chairman of the Union of Independent Companies, praised the "listening" Chancellor. A spokesman for ICFC said that risk-taking would now be more attractive than before. And Mr Brian Jenks, a partner in accountants Touche Ross, pointed out that a number of the changes which affected everybody — the halving of stamp duty, the abolition of the investment income surcharge and the reductions in Capital Transfer Tax—would be particularly helpful for smaller businesses.

Tim Dickson

BUSINESS EXPANSION SCHEME

THE CHANCELLOR yesterday duly added farming to the list of activities excluded under the Government's Business Expansion Scheme (BES). The move will please those fund management companies in the City of London and elsewhere which have raised money under the BES for investment in ventures they consider more deserving of BES support.

The BES was introduced in last year's Finance Act, and offers tax relief at full marginal rates for individuals investing up to £40,000 a year in new shares of unquoted UK companies. Land, share and commodity dealing were among those trades specifically excluded in the original legislation but a row erupted late last year and early this year when a small handful of funds and companies quite legitimately spotted an opportunity to raise significant sums for investment in farming. Beechbank Farmers, for example, which was sponsored by the merchant bank Hill Samuel, attracted £13.2m last month.

The Government has thus reacted to those critics who suggested that investment in farming is outside the spirit of the scheme. The Inland Revenue announced last night that "the exclusion will apply to shares in farming companies issued after March 13 . . . and will not affect relief in respect of shares which were issued on or before that date." Thus Beechbank, which has already invested most of the proceeds of its issue, seems certain to qualify for relief. Other companies currently raising capital, however, could be caught by the new ruling.

"Farmland" in Section 526 of the Taxes Act, means land in the UK wholly or mainly occupied for the purposes of husbandry, but excluding any dwelling or domestic offices, and excluding market garden land, and "farming" shall be construed accordingly.

STAMP DUTY

Stock Exchange gets its side of the deal

BY HALVING the rate of stamp duty to 1 per cent, the Government is effectively completing its side of the bargain struck last summer with the Stock Exchange.

At that time the Exchange was persuaded to promisa the abolition of its fixed scales of commission. Already gilt-edged commissions are being reduced, and equity commissions are likely to become fully negotiable sometime in the second half of next year. In return the Stock Exchange has been released from the threat of an action in the Restrictive Practices Court against its rule book.

But the Stock Exchange has hoped for something more. Even now stamp duty is much more important as an element in the cost of a large institutional share deal than the commission itself. With falling commissions, the burden of stamp duty has threatened to become still more anomalous.

The Stock Exchange has argued that it has done its bit in cutting share transaction costs, so it is up to the Government to play feir too. In New York, the reduction in commissions after 1975 crippled many atock market firms for a time, but it also had the effect of boosting levels of business. The surviving firms in due course reached new heights of prosperity.

But the concern in London has been that high levels of stamp duty would prevent stockbrokers from generating higher volumes to offset the lowec rates of commission.

The Government has now given the Stock Exchange the response it wanted. Plainly it could not logically take the position of encouraging a rapid restructuring of the City of London's financial markets — something which the Bank of England has been urgently fostering in recent weeks — while hitting the Stock Exchange with what was, by international standards, a very high level of transaction tax.

The international implications may have been crucial to the decision. London institutional investors have begun to escape stamp duty on a significant scale by dealing in UK shares like ICI and Glaxo in rapidly developing markets in New York. London should now be able to halt and perhaps reverse this trend.

David Churchill

VAT ON FOOD

Take-away outlets caught in the net

ABOUT 40,000 cafes, fast food outlets and take-aways, and a vending machine business serving more than 3.5bn cups of coffee, tea and cocoa a year will be brought into the VAT net on May 1. For many, including about 10,000 fish and chip shops, it will mean their first full encounter with VAT.

The first moves to stop what is being described by many in the business as "a disaster" will come today at 5 o'clock when leaders of the Takeaway and Fast Food Federation meet a number of new Tory MPs at the Commons. "We will want to point out the complications and the impact on a great job creation business."

The complications are obvious enough. A sandwich will be zero rated, but if it is toasted it becomes subject to a 15 per cent surcharge since the new tax will apply only to hot food and drink. A cooked chicken will be subject to VAT if still warm, but not if it has cooled. "Does this mean there will be VAT on hot rolls from the bakery?" came one question last night.

In the vending business thousands of machines will have to be altered before the May 1 deadline, a task not as complicated as it may seem thanks to the electronic nature of most of them these days. A much bigger complication results from the complexities of ownership.

Vendepac, the vending subsidiary of the Gallaher group (via Mayfair), has about 5,000 machines but "they are run in all manner of permutations." Some are directly owned and managed, in some cases Vendepac owns the machine but the site owner sells the drinks, some machines offer "free vend" products to employees or members of clubs and some are subsidised.

The VAT net is entered when the total turnover of an operation is taken into account, thus many sports clubs, for example, may find their single coffee machine subject to VAT.

For many of the newer fast food businesses the imposition of VAT will be administratively simple—they already had VAT rated eat-in traffic and have systems for dealing with it. Most fish and chip shops and the thousands of mobile take aways which serve race meetings and seaside resorts are not so equipped.

Wimpy International said last night that the tax will tend to hit the lower paid, the young and those of the public who find modern fast food service a major convenience.

Kentucky Fried Chicken, which has more than 300 outlets in the UK said the imposition of VAT "would be disastrous for employment among young people."

Arthur Sandles

DRINKS

Duty on wine reduced by 18p a bottle

THE CHANCELLOR toed the European Court of Justice's line yesterday in redistributing excise duties between beer and table wines.

Duty on wine was reduced by 18p a bottle and that on e pint of bear increased by 2p.

Other changes included 3p a pint on cider, with increases of 10p on e bottle of whisky and about 10p on fortified wines, which include sherry and port.

The action on wine had been provoked by a European Court of Justice ruling last year that Britain discriminated in its duties in favour of beer and against wine by a ratio of over 4:1.

Mr Lawson reduced the ratio to just under 3:1, "the minimum amount needed to comply with tha judgment and maintain revenue," said the Chancellor.

Britain's brewers, who had asked foc only a 1p increase in this year's budget and the implementation of the court's decision in two budgets time, were quite relieved yesterday by the 2p increase.

"The Chancellor has made a fair decision on the beer/wine ratio," said the Brewers Society, "but 2p is still twice the rate of inflation, whereas taxes on other drinks have been increased at much lower rates."

Brewers whose sales of beer increased only 0.9 per cent last year bad feared that a steep increase in duty would cut consumption by about 1 per cent for every 1p increasa above tha 1p rise that is in line with inflation. Yesterday's increase in duty is not expected to affect consumption much.

The Wine and Spirits Association described the Chancellor's decision on table wines, consumption of which has risen four-fold in the UK since 1970, as "wise and statesmanlike." Last year's consumption rose by 13 per cent.

The 10p increase on fortified wines, sales of which heve been depressed, was described as "most unwelcome."

Th Scotch Whisky Association said that on the whole the Chancellor "has done a good job." The 10p increase in duty on a bottle of whisky is less than half the rate of inflation.

The Chancellor said that in complying with the ruling on wine Britain bad been given an undertaking by the Italian Goverment that it would comply with earlier court rulings on discrimination against Scotch whisky.

The 3p duty increase on cider was unexpected. However, cider which has only been taxed since 1976, has been competing strongly with beer and there has been pressure from the brewing industry to increase the duty. The 3p increase means cider is only taxed et 48 per cent of the duty on beer.

Lisa Wood

CALKE ABBEY

Heritage Fund boost

THE NATIONAL Heritage Memorial Fund is to receive an additional £6.3m from the Government this year to add to its £3m already announced. The Chancellor mada clear in his Budget speech that much of the extra cash would go towards saving Calke Abbey in Derbyshire.

Calke Abbey, the home of the Harpur-Crewe family who have changed little in the house since Victorian times, was threatened by an £8m Capital Transfer Tax demand. It will pass into the ownership of the Netional Trust, with the National Heritage Fund contributing £4.5m. The National Trust will find £1m, and the family will contribute, as will the Historic Building and Monuments Commission. The Treasury has agreed to take some of the land in lieu of cash.

The National Heritage Fund's grant will enable the National Trust to restore and endow Calke Abbey which will remain the Harpur-Crewe family home. It is similar to the rescue plan for Belton House, arranged last year, which absorbed £8m of the fund's resources and brought it close to straitened circumstances.

The £6.3m will ease the pressure on the fund to dip into its £12m capital but with so much committed towards Calke Abbey it does not remova all its financial problems. It has spent £15m over the past year saving for the nation such items as the Southampton armour and the Rutland psalter, as well as Belton, and the Chancellor's generosity provides little more than a breathing space.

Antony Thorncroft

ROAD TAX/COMPANY CARS

Road hauliers face £52m taxes' burden

AN EXTRA £52m a year has been edded to the road haulage industry's costs—£20m in extra vehicle excise duty and £32m extra for derv—by the Chancellor's measures, according to the Freight Transport Association.

This disappointed the industry, which bed been hoping for a reduction in tha duty on heavy trucks rather than the 7 to 9 per cent increase announced yesterday. Last month a review of road costs by the Department of Transport suggested heavy trucks were paying £57m e year too much.

It suggested, foc example, that a 38-tonne truck was being overtaxed by £1,200 a year. Even so, the Chancellor intends to lift the duty from £2,940 to £3,100.

The FTA described this as "a sop to the environmental lobby." To some extent this view was substantiated by Mr Nicholas Ridley, Secretary of State for Transport, who said last night that "the duty rates for heavier lorries reflect the Armitage Report recommendation that the Chancellor should in the main take any excess of taxation over road track costs from the heaviest lorries since in general these create more environmental problems."

The Chancellor's proposals will increase the total revenue from trucks in line with inflation but the rates of duty on 277,000 lighter vehicles (up to 12 tonnes) will be reduced by up to 13 per cent.

There will be no increase on the 24,000 trucks of 12 to 13 tonnes in weight but for 150, heavier trucks duty will be lifted by 7 to 9 per cent.

The Road Haulage Association described the Chancellor's decision to add to the tax burden of heavier trucks as "absolutely inexplicable when the Department of Transport's review suggested there should be a reduction."

Tha association estimated that, including the 3½p on derv, the budget would add 1 per cent to hauliers' costs.

The Automobile Association estimated that about £18.50, a year would be added to the average motorist's costs.

There is to be a 5.9 per cent increase in vehicle excise duty on cars and light vans, taking it from £85 to £90 a year. The motor cycle duty rises from £8.50 to £9 a year.

Tha Chancellor continued the Government's attack on the "perk" company car by lifting the amounts taxable as benefits in kind by about 10 per cent for the 1985-86 tax year—well ahead of the rate of inflation. This follows an uplift of the scale charges by more than 50 per cent in 1983-84 and a further 15 per cent for the 1984-85 tax year.

Mr Lawson also held at £8,500 e year the level at which earnings attract the "perk" car liability.

The scale of charges for petrol provided for private motoring in company cars will also be lifted by about 10 per cent.

Kenneth Gooding

Could this be YOU in a few years' time?
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Never thinking that one day buying another pint of milk would be a decision calling for a second thought.

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THE BUDGET: Analysis

TAX ALLOWANCES

The Chancellor's conjuring trick

series will be published monthl

A NOTABLE feature of Mr Nigel Lawson's first Budget is his attack on tax exemptions, concessions and reliefs. The Americans dub such reliefs "tax expenditures" to bring home the point that they represent, equally with explicit expenditures, a cost to the Exchequer. Reduce tax expenditure and the rates, too, can come down.

The reduction of tax expenditures is a major means by which the Chancellor has effected the conjuring trick of proposing substantial tax reductions—in raising income tax thresholds, abolishing the investment income surcharge, cutting corporation tax, and abolishing the investment income surcharge—without any significant tax increases.

The total cost of the income tax relief for life assurance premiums in 1983-84 was estimated at £700m in the public expenditure White Paper (Cmnd 9143). The abolition of the relief on new life assurance saves a more modest £90m in 1984-85.

More significant in size is the phased reduction in tax allowances and the removal of the stock relief on price rises which makes possible the major reductions in corporation tax. Ending the concessions on the foreign earnings of employees working abroad for over 30 but under 365 days and the concessions fon the emoluments of foreign domiciled employees of a foreign employer, together benefit the Revenue by £150m.

These changes also have the effect of simplifying the system, which the Chancellor proclaimed as one of his objectives, and contributing to the reduction of 1,000 in the numbers of Inland Revenue officials which Mr Lawson expects to flow from his Budget changes.

The UK has been behind North America and some of the continental countries in its accounting treatment of tax expenditures. Until the late 1970s the only official figures in the costs of tax reliefs appeared irregularly in Hansard in ministerial replies to parliamentary questions. Since then a list of Direct Tax Allowances and Reliefs has appeared in the Public Expenditure White Papers, but always tucked away in an obscure appendix or "additional analyses" at the end of the volume.

In thus highlighting their importance, the Chancellor has added weight to the view that tax expenditures should be given much more prominence in the national accounts. That, where appropriate they should appear along with the explicit expenditure programmes (for example, the cost of the relief on mortgage interest along with the housing programme). That, like explicit expenditures, they should be regularly reviewed.

Indeed, that we should move towards the American pattern of a tax expenditure budget. The magnitude of the total of tax reliefs and the corresponding potential for reducing taxes make this development well worthwhile.

Cedric Sandford

OIL INDUSTRY TAXATION

Lawson ready to consider new offshore incentives

AS THE North Sea continues to gush with greater than forecast tax revenues, the Chancellor delivered another clear signal yesterday that he is willing to consider further tax incentives in order to extract still more oil from the offshore fields.

Although there was no repeat yesterday of the dramatic tax boost created by the 1983 Budget, the Chancellor said he would study with the industry the case for extra tax allowances to encourage companies to put in the investment needed to extract additional oil from existing fields. The industry thinks that, given such encouragement, it can raise the proportion of reserves extracted from fields from around the 40 per cent mark to around 50 per cent.

Action on this, however, will have to wait until next year's Budget, although its effect will be retrospective to this year.

Apart from that, the Chancellor clearly hopes that his general business tax changes will stimulate North Sea activity. The marginal rate of tax and royalties will fall from 89.5 per cent to 85.78 per cent for fields developed before the 1983 Budget's impact and from 88 per cent to 83.75 per cent for those which benefited from the new deal.

The only sting in the tail came in the Chancellor's decision to further restrict the tax loophole which made last year's £340m sale by British Petroleum of a slice of its Forties Field so attractive to the company.

The Government's intention is not entirely to discourage so-called "farm-outs" in the industry, but with an estimated full-year yield of £35m, the latest restrictions on corporation tax offset on these deals will clearly reduce the attractions. Industry feeling last night, however, was that considerable incentives still remain.

The only other disappointment for the industry, not really unexpected, was the Chancellor's decision not to extend last year's tax concessions to southern basin gas fields. With British Gas now offering higher prices, drilling is at record levels, suggesting additional tax incentives are not needed.

Yesterday's Budget report also pointed out that the scale of the North Sea bonanza continues to exceed expectations. Revenue projections for 1984-85 have been revised upwards by £0.5bn to £10bn since the Autumn statement, although this is expected to be the peak. By 1988-89, the latest forecast suggests revenues of £9bn. In real terms, the 1988-89 figure is 20 per cent lower than the estimate for this year.

The reasons for the upward revision are higher sterling oil prices than previously forecast and greater than expected oil production. The forecasts assume dollar oil prices remain stable until the end of 1985, before rising with world inflation.

On petrol and diesel oil taxes, the Chancellor delivered no surprises, revalorising duties to take a gallon of four-star petrol to 184.1p, of which £1.02 is tax.

There was some amusement in the industry at his decision to scrap duty on rebated kerosene—pink paraffin and the like. The feeling, however, was that with duty of 1p a gallon on a product which costs over £1.30 a gallon, there was hardly likely to be a run on paraffin stoves. This market has been declining sharply for many years and is not expected to revive.

The 3.5p a gallon duty on heavy fuel oil and gas oil was unchanged, as it has been since the 1980 Budget—a concession to heavy industry, which says the duty puts it at a disadvantage to European competitors.

The Chancellor has also done away with the system under which advanced corporation tax paid on dividends, whether or not they are the result of offshore activity, can be offset against corporation tax within the North Sea "ring fence"—with a prospective yield to the Treasury of £100m in 1984-85 and £150m in a full year but no adverse effect on project economics.

Ian Hargreaves

NORTH SEA OIL AND GAS REVENUES

£bn, current prices		
1982-83	8	7.8
1983-84	9	9
1984-85	9½	10
1985-86	—	9½
1986-87	—	9½
1987-88	—	9½
1988-89	—	9

The figures include receipts from royalties, petroleum revenue tax (including advance payments) and corporation tax, before any set-off in respect of advance corporation tax.

CORPORATION TAX

Capital investment plans may be hit

"MORE MEN and less plant" was one City tax specialist's prescription for corporate treasurers seeking to maximise the potential benefits of Mr Lawson's Budget.

The changed structure of tax allowances for business has radically altered at a stroke the calculation of future returns on industrial investment, while also driving a coach and horses through the UK leasing industry.

At the same time, the Chancellor has promised a four-year programme of substantial cuts in the rate of tax on mainstream corporate profits.

To take the corporate tax rate first, the rate is to be cut immediately from 52 to 50 per cent, for implementation in the current 1983-84 tax year. It will then be reduced by 5 percentage points in each of the next three tax years, reaching 35 per cent in 1986-87.

Small companies previously taxed at 38 per cent will also have their rate cut to 30 per cent, again with immediate effect. A tax environment "already generous by international standards," noted the Chancellor, will now be "markedly more generous."

Perhaps only one-third of UK companies have been consistent payers of mainstream corporate tax in recent years, however. Against this background the Chancellor's avowed determination "to take a fresh look" meant a major reassessment of allowances.

Both the principal categories of allowance—covering plant and machinery and industrial buildings—are consequently to lose much of the advantageous treatment accorded in the past by what he described as "a tax system which encourages low-yielding or even loss-making investment at the expense of jobs."

The 100 per cent first year allowance for the cost of plant and machinery will be cut to 75 per cent for the current tax year and for 1984-85. It will fall to 50 per cent in 1985-86 and nil thereafter—though in practice the first year rate will be 25 per cent anyway, since the Revenue is to allow 25 per cent of the outstanding balance of the initial cost to be set off annually.

Shares in heavy engineering companies, such as GKN and British Aerospace, were struggling to keep up with the general advance on the stock market last night. Those with heavy capital investment programmes could now face a fundamental revision of their options.

Some City tax accountants, however, suggested last night that the impact could be mitigated for larger companies where first year allowances from past years might be available to be carried forward. Smaller companies with significant capital expenditure budgets would perhaps be more vulnerable—particularly where subsidiary leasing activities have been set up in the past to provide some shelter against mainstream tax liabilities.

Elsewhere, the Budget has been careful to respect the allowances enjoyed by small businesses—both the enterprise zone and small workshop allowances for plant and machinery remain at 100 per cent.

The industrial buildings first year allowance was increased by Mr Lawson's predecessor from 50 to 75 per cent. This has now been reversed with immediate effect and will fall to 25 per cent in 1985-86 and nil thereafter. A substitute allowance will instead provide for 4 per cent of the initial cost to be written off annually on a straight line basis. The Chancellor made no reference to the definition of an industrial building, which remains unchanged.

Mr Lawson took just five short sentences of his speech to dispense with stock relief, as a creature of the high inflation era. "Those days are past," he proclaimed, and stock relief to counter the effect of inflation on companies' inventories will be scrapped from the end of this month.

Finally, in keeping with his assault on a system appearing "to subsidise capital so heavily at the expense of labour," the Chancellor complemented his reform of corporate tax allowances by abolishing from next October the National Insurance surcharge.

Duncan Campbell-Smith

BANKS AND LEASING

Shares jump despite three unwelcome measures

BANK SHARES jumped after the Budget last night because the much-feared bank tax did not materialise. But there were three measures specifically affecting banks, and none was particularly welcome to the banking industry.

They were the inclusion of banks in the composite rate scheme — already widely heralded in the last fortnight —the reduction in capital allowances which could hurt the banks' lucrative leasing business, and the bias that the cut in corporation tax sets against bank borrowing.

From next April, banks will have to withhold interest on their deposits just as building societies do. The change will put banks and societies on a more equal footing in the hotly competitive high street savings market.

But from the Treasury's point of view equalising this way (rather than abolishing the much-criticised composite rate once and for all) boosts the efficiency of tax collection and, as Mr Lawson pointed out, will produce large manpower savings at the Inland Revenue.

The scheme will be less broad than the building societies', applying only to the personal deposits of UK residents (there are virtually no exemptions at the societies). Large time deposits over £50,000 are excluded. The composite rate itself will be set by the end of the year.

The change means banks will have to advertise deposit rates net of tax which will make them look decidedly less attractive and could further weaken their position in the savings market, as well as land them with a lot of the tax collector's donkey work. Which is why they will put up a fight, playing hard on the fact that the composite rate discriminates against non-taxpayers, and gives an unfair boost to National Savings where interest is still paid gross.

The cut in capital allowances is not aimed specifically at bank leasing as some people feared. But it will still put a dampener on a highly tax advantageous business.

By buying plant and equipment themselves and leasing it out to companies, banks have qualified for the capital allowances to set against their profits. Although they pass on most of the benefit to the lessee, this has boosted their post-tax profitability by as much as 10-15 per cent, by some estimates.

Bankers were reluctant to calculate the cost of the cuts last night. But leasing industry experts said they were certain to lead to a drop in business, and would thus reduce the banks' opportunity to shelter profits from tax. One banker, looking on the brighter side, said this might not be a bad thing if it defused some of the criticism of bank profits. As it is, the banks' recently announced results for 1983 showed a sharp rise in taxation because the leasing market was weak last year and a giant oil rig leasing contract was cancelled.

The cut in corporation tax has major implications for the evolution of the banking business over the next few years, because it shifts company financing options away from bank borrowing towards equity capital. But the banks have been anticipating this with their moves into the securities business.

Because bank interest can be offset against tax while dividends mostly cannot, a lower tax rate raises the relative cost of a bank loan. If the Chancellor achieves his goal of cutting corporation tax to 35 per cent by 1986-87, the cost of equity and capital will be almost the same, pitting the banks squarely against the stock market.

But only 24 hours before the Chancellor got to his feet, Barclays Bank had produced dramatic evidence of the new directions in which the big UK clearers are moving with its plan for an international securities company, which will enable it to supply its customers with equity finance as well as plain old fashioned loans.

They are not substitutes, of course. But the Thatcher Government's vision of a share-owning democracy and, at a more nuts and bolts level, the drive to bolster corporate balance sheets with more equity, are clear signals which the banks have not missed.

David Lascelles

CORPORATE BONDS

Market wins tax breaks

CHANGES announced in the Budget have reaffirmed the Government's commitment to the domestic corporate bond market.

Bonds issued by a company whose shares are listed on the Stock Exchange or the Unlisted Securities Market will be exempt from capital gains tax provided they are held for more than a year. This brings the tax treatment on corporate bonds more or less in line with that on gilt-edged stock.

The exemption will not apply to bonds convertible into shares or to those issued at a discount to the price at which they are redeemed.

This change should make it cheaper for companies to raise money in the bond market. Until now, they have felt that the gilt-edged market provided *unfair competition*.

Mr Andrew Tuckey, director of new issues and syndication at Baring Brothers, said yesterday, "It's a terrific encouragement for corporate borrowers to use the market." He estimated that it would save companies about ½ percentage point a year on their interest payments.

However, it is doubtful that the change will lead to a spate of new issues. Companies are currently cash-rich due to increased profits this year.

The Budget also contained confirmation of the treatment of deep discount bonds. These are bonds which are issued at a discount of more than half a point per year of the life of the bonds. It would apply for example, to a 10-year bond costing the investor less than 95, compared with a redemption value of 100.

The gain to the investor will be treated as income rather than capital gain and will be taxed either when he sells the bond or when it is redeemed.

The company issuing the bond will be able to charge the accrued discount on an annual basis on its profit and loss account as though it were interest. These new rules only apply to bonds issued from today.

Finally, the Chancellor confirmed that UK companies will be able to pay interest on bearer bonds (which effectively means Eurobonds) without deduction of tax. Previously, UK borrowers had to use an overseas financing vehicle to issue Eurobonds with the interest paid gross.

Mary Ann Sieghart

VAT ON IMPORTS

Treasury's £1.2bn one-off gain from withdrawal of 'free credit'

THE GOVERNMENT'S decision to accelerate payment of value-added tax on imports will be welcomed by many sectors of British industry, but it was bitterly attacked last night by importers as discriminatory and counter-productive.

The Chancellor, who said that the measure will bring a one-off gain to the Treasury of £1.2bn in 1984-85, said the existing arrangements allowing importers to delay VAT payments for an average of 11 weeks gave them "free credit at the taxpayers' expense."

When the new rules come into force on October 1 importers will have to pay the tax at the time of entry or by the 15th day of the following month.

The move will delight those sections of British industry such as textile manufacturers who have long argued that the cash-flow benefit enjoyed by importers gave them an unfair competitive advantage.

Mr Lawson endorsed this view when he said that when one British businessman buys from another he gets no such help from the taxpayer.

"I am not prepared to put British industry at a competitive disadvantage in the home market any longer," Mr Lawson said.

That view was challenged, however, by the Confederation of British Importers, which had lobbied against the change before the budget.

"It's a disaster," said Mr Roy Skelton, the confederation's secretary, adding that it would rebound on British industry and put back the cause of free movement of goods in Europe for a decade.

Mr Skelton said most of Britain's £66bn import bill was accounted for by imports of *raw materials and semi-manufactured goods*: That meant the cash flow loss to importers caused by the measure would be borne largely by British industry.

The Confederation of British Industry appeared to acknowledge this paradox when it said last night that there were "problems" with the new arrangements which would have to be discussed fully with the Government.

Mr Lawson recognised in his Budget speech that the European Commission in Brussels has been trying to persuade other governments to adopt the system of VAT collection at present operated in Britain.

The chaos on European roads last month when lorry drivers protested about border delays was at least partly prompted by the complexities of collecting VAT at points of entry.

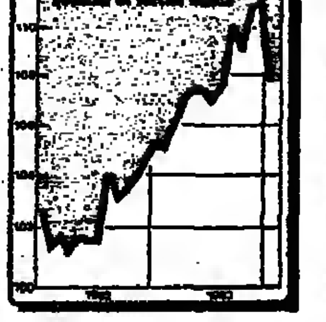
But, Mr Lawson said, the Commission had made no progress. If Britain's European partners underwent a "Damascene conversion" the Government would be prepared to revert to the old system.

The importers countered that in fact the Government had now effectively torpedoed hopes of getting any progress on a European-wide system and Britain would now suffer from the congestion and delays common at continental frontiers.

It is clear, however, that the measure could contribute to a slowing down in the surge of manufactured imports (up 20 per cent in 1983) which has been worrying some officials in Whitehall without drawing cries of protectionism from trading partners.

And as well as the one-off gain in 1984-85, the Inland Revenue calculated that in *future years it will add £120m* to revenues at the current level of interest rates.

Philip Stephens



CONSTRUCTION

Builders attack extra imposition of VAT

THE CONSTRUCTION *industry's fears* that the Government might extend VAT to home improvements and building alterations were realised in a Budget decision which the *Chancellor said would be* "unwelcome news for the industry."

Mr Lawson announced that as from June 1 VAT at the standard rate of 15 per cent would be levied on home improvements and alterations. This clears up an anomaly since, until now, repairs and maintenance have been subject to VAT, whereas improvements have not. But there was also some good news in the speech *particularly* for the housebuilding industry.

First, the bad news. In a move which the Government estimates will yield £250m in the period 1984 to 1985 and £450m in a full year, VAT will now be levied on alterations to existing buildings and civil *engineering works, on the erec*tion of buildings such as sheds and greenhouses in private gardens and on goods installed as fixtures in new buildings.

The decision was greeted with a unanimous howl of protest from the industry.

Mr Bruce Chivers, president of the *Building Employers Confederation*, described this extra imposition of VAT as "deplorable and a savage blow to the industry." He said the move would "jeopardise the jobs of thousands of building workers in an industry where unemployment is already at record levels," would "*penalise* bona fide firms" and fuel the black economy by giving the advantage to "tax-dodging cowboys."

"The Chancellor is relentlessly nibbling away at the construction industry," said Mr Shaun *Leslie*, economist with Bacmi, the trade organisation representing the aggregate materials producers. He described the Budget as a *further blow* to an *industry* already suffering from the effects of the Government's expenditure White Paper, which Bacmi estimates as a 10 per cent *real* cut to public *spending* on the *industry*.

As for the good news, the first item was the decision to cut stamp duty on house purchase, hailed as a boost to the housebuilding sector and to first-time buyers in particular.

The threshold for paying *stamp duty* on buying a house has been raised from £25,000 to £30,000, and the rate at which it is payable has been halved from 2 per cent to 1 per cent. The half per cent reduced rate band for transfer of houses has been abolished.

The Royal Institution of Chartered *Surveyors calculates* that the change will mean that on a house costing £35,000 the duty will fall from £525 to £350, on a house costing £50,000 it will fall from £1,000 to £500, and on a £100,000 house it will fall from £2,000 to £1,000. On houses costing less than £30,000, no stamp duty *is payable*.

The stamp duty cut comes at the same time as mortgage rates are tipped to fall by between ¼ per cent and ½ per cent this week. Mr Kenneth Bell, chairman of one of Britain's top 12 housebuilders, Bellway described the Chancellor's announcement as "the best bit of news for home buyers for years."

Joan Gray

LIFE ASSURANCE COMPANIES

New marketing strategy is needed

THE CHANCELLOR'S immediate removal of tax relief on life assurance regular premiums for all new policies issued from today has cast gloom over the whole life assurance industry.

For Life Assurance Premium Relief (LAPR), the official name for the tax credit, was a major sales aid for life assurance savings schemes, both traditional with-profits policies and the newer unit-linked contracts.

LAPR not only gave life assurance savings schemes a better return over other forms of saving, an edge that now disappears.

Now the Chancellor has ended this advantage at a stroke and life companies and life salesmen have to rethink their marketing strategy. For the expected impact of the ending of LAPR is a sharp drop in life sales.

In particular, the use of a low-cost endowment to repay a *mortgage* no longer looks attractive compared with the repayment method. Last year's boom in sales of mortgage-related contracts is not going to be repeated this year.

In return, the Budget gives life companies very little compensation in tax concessions on their life *fund* investments. There is some gain in extending the capital gains tax relief applicable to gilts to other forms of UK fixed-interest securities. The reduction in corporation tax rates will not affect life companies until the year 1986-87 and its impact will be marginal.

The three life associations intend to press the Chancellor to redress the balance in their favour.

But failing that, the marketing emphasis of life companies will switch to direct unit trust sales. Many life companies already have unit trust subsidiaries and pension sales.

Eric Short

UNFINISHED BUSINESS

Promised moves from 1983 implemented and improved

SIR GEOFFREY HOWE'S swan song was a Budget, and subsequently a Finance Bill, which contained a great number of technical changes.

When the general election intervened, much of the technical provisions were lost, and were not reinstated when the post-election Finance Bill was presented.

The Finance Bill 1984 will therefore contain a large quantity—one estimate is 100 pages—of Unfinished Business brought forward. Much of this has already been announced, and some of it is of vital importance when taken with the *measures announced yesterday*.

The most important piece of legislation to be brought forward is the long-delayed taxation of foreign companies controlled by UK residents which are operating in low-tax countries. Companies resident in the UK who have at least 10 per cent interest in such companies *will suffer* apportionment of the foreign profits, provided several tests are made. This legislation has had a long gestation and few surprises are expected.

Draft clauses have also been published on a number of other matters:

● Surpluses from offshore roll-up funds realised after December 31, 1983, will be taxed as income unless a number of restrictive conditions are met.

● Income from furnished holiday lettings are to be treated as earned income, although with the abolition of the investment income surcharge the advantage lies in the availability of roll-over relief.

● Limitations are proposed on certain transactions for which group relief was previously available.

● Pension fund transactions in financial futures are to be exempt from income and capital gains tax.

A number of other measures which had been proposed have been overtaken by changes in the *Budget*, such as the treatment of Eurobond interest and deep discount securities.

We can however expect to see the Finance Bill padded out by detailed rules on discretionary trusts, changes in capital transfer tax, changes in the job-related accommodation rules to allow interest relief and capital gains relief where a property is to be occupied in the future, relief for the cost of raising finance by issuing bills of exchange (acceptance credits) or convertible loan stock and numerous other detailed provisions.

One relief which has been deferred until this year has quietly, but very significantly, been improved. Surplus Advance Corporation Tax (ACT) was to be progressively allowed to be carried back for up to 6 years. This was to have been achieved over a number of years but will now be effective for accounting periods ending after April 1, 1984.

This will be of substantial benefit to companies having surplus ACT carried forward but we shall have to wait for the detailed rules to see whether the carryback will extend to ACT paid before April 1. If it does, it will be of enormous benefit to companies which have been writing off ACT for several years.

The Finance Bill promises to be one of the largest for many years. It will contain a mixture of technical, political and economic measures, some of which will not be revealed, no doubt, until it is published.

There is no doubt about it: the present Chancellor is determined to make his mark, as Anthony Barber did in the halcyon days of 1972, as a major reforming Chancellor.

And he did not say a word about tax avoidance. He did not need to, really, as the House of Lords has done what no legislation could ever achieve: undermine tax avoidance following "Furniss v Dawson" without writing a single clause of a Finance Act.

John Underhill

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First stride of a tax reformer

YESTERDAY we hoped to be able to welcome a radical, tax reforming Budget; today we are delighted to do so. Mr Nigel Lawson, in his first Budget, has done more to remove tax distortions from our economic system than many Chancellors achieve in a Parliament. Understandably, perhaps, he has gone for the major industrial and economic targets, and sidestepped most of the "politically impossible" jungle of personal exemptions and privileges—most notably for house ownership—which still persists; but he has set himself the right objectives. He is determined to reach a situation where free decisions are made on the basis of economic efficiency rather than of tax efficiency, a world of simple rules in which taxes will be hard to avoid—and, as a result, low enough to pay with something like cheerful resignation. High time, too.

Strong stimulus

While nearly all the changes he announced were welcome, by far the most important, both in its economic promise and in its proof of radical thinking, is the staged abolition of capital allowances, and the overdue end of the national insurance surcharge. This will quite rapidly remove the long-standing fiscal bias against employment. It will also, during the transition period, act as a strong stimulus to investment when there are still adequate resources to accommodate it. If this new investment is less biassed than in the past towards labour substitution, it may also begin before long to erode the heaviest unnecessary burden on the taxpayer and on society as a whole, the burden of unemployment.

We have stated the case for this change at some length in recent weeks; but we had bardly dared to hope that the Chancellor was meanwhile preparing to go the whole way in one long stride. The encouragement of investment has been a cornerstone of Treasury doctrine, encouraged by the industrial lobby and enthusiastically backed by governments of both parties, for so long that it seemed a fixture.

Decade of talk

The tax allowance on stock appreciation, the other major concession which has gone to finance large cuts in corporation tax, is not such a clear-cut issue. It was originally introduced as an emergency substitute for a tax system based on proper inflation accounting, effective but necessarily crude. As inflation has fallen, the relief became less necessary, and its crudity more obtrusive. It has certainly tended to produce distortions in decision-making, and a good deal of more or less blatant window-dressing at year end, and nobody will be particularly sorry to see it go.

Nevertheless, historic cost accounting still produces its own distortions at current rates of inflation. The change is welcome on balance, but it does little credit to industry, the accounting profession or the authorities that, after a decade of talk, we have taken not a step towards an economically realistic and inflation-neutral basis for company tax.

Generous increase

We have concentrated so far on the major changes affecting industry because in our judgment these will have profound economic effects. We are also delighted to see a generous increase in the real value of tax-free personal allowances; but not even Mr Lawson would claim that the effects here will be much more than marginal. While it may be true that the tax floor is now higher in real terms than at any time since 1945, there has been a very large growth of real incomes in the last 40 years; the tax system still extends much too far down the income scale, well below our more affluent definitions of poverty.

It would cost so much to take all those who could qualify for means-tested benefits out of tax that this is a programme for several Parliaments, even given a more or less permanent freeze in the real level of public spending—the prospect implied in the rather sketchy Green Paper on the next decade of fiscal arithmetic issued yesterday. We hope that Mr Lawson is radical enough to revive what was once Conservative policy and examine increased child benefit as the most effective way to tackle the poverty trap—even if this is classified as higher spending, not lower tax.

Continued growth

It is a sign of how far the Thatcher Government has changed the terms of economic debate that most of the Chancellor's time, and most of any sensible comment, must be concerned with these and other, lesser, matters of incentive. Mr Lawson devoted not a sentence of his speech to what was once the dominant theme of any Budget day—demand management. Indeed, it is a matter of some difficult guesswork to estimate the demand effect of this set of measures.

The outline of the medium-term financial strategy, now projected forward for a further five years, is clear. Public expenditure is to be held somewhere near constant, and the revenue rewards of continued growth to be divided very roughly equally between reduced borrowing and reduced taxation. The private sector, in other words, is asked to prove itself as pacemaker, while the Government continues gradually to eliminate inflation. In demand-management terms, this is a gently deflationary strategy; the private sector has to push a little uphill.

Economic incentives

However, the Government's practice has not been as consistent as its doctrine on this matter. Last year Sir Geoffrey Howe gave the economy a covert but quite significant fiscal stimulus, estimated by the OECD to add about a half percentage point to real demand. This year's policy, even allowing for the fact that the PSBR is reduced quite largely by collecting VAT on imports earlier (£1.2bn) and faster privatisation, is probably slightly restrictive. It will be interesting to see whether last year's stimulus helped to account for better than expected growth or whether the private sector has indeed developed adequate momentum. Given the inverted stimulus to investment (through a final offer of old tax concessions) we would judge that it will need no further aid.

But what is important about this Budget is not what marginal effect it has on demand, not the detailed changes—even the contentious ones affecting, for example, life insurance—or the ever more arcane monetary targets. It is what it has done to allow free play for economic incentives and what it promises for future Budgets. We now hope to be enthusiastic again next year.

THE BUDGET: Analysis

ECONOMIC ASSESSMENT

A radical package for Tories

THE BUDGET was a success both as a parliamentary occasion, and in managing to maintain the surprise element despite the leaks.

The immediate puzzle was quite how many "goodies" ranging from the abolition of the employers' National Insurance Surcharge, to the 12½ per cent increase in tax thresholds (some 7 per cent more than inflation) and the ending of the Investment Income Surcharge, could be encompassed in a Budget which was supposed to be tax neutral.

In 1984-85, the Chancellor will gain £1.2bn from being as nasty to EEC imports as continental countries are to British imports for VAT purposes. But that is once-for-all. In a full future year the total tax package will cost nearly £2.3bn.

Both this package and the future tax cuts indicated in the tahle hy the anodyne Treasury formula "fiscal adjustment" depend very beavily both on continued economic growth and on maintaining public spending stable in real terms. The Treasury is probably too pessimistic on growth, but I fear too optimistic on expenditure.

A chance for the private sector to aid employment

Overall, it is a budget for the corporate sector and the personal investor. The corporate tax burden is on balance lower. But, more important, the incentive to spend more on capital and economise on labour—absurd at any time and lodricrous when there is heavy unemployment—appears to have gone.

To put it simply: the private sector is being given the remainder of this Parliament to show that it can make a start in providing full employment without inflation. If it can not do so, more radical schemes for combining market pricing of labour with redistribution of capital ownership will be required;

There is no point in traditional arguments about whether the Chancellor has "put money" into or "taken money out of" the economy. With a Medium Term Financial Strategy the question is whether the hroad course planned is sensible or not.

As the table shows, public sector borrowing is expected to fall from 3¼ per cent of the GDP in 1983-84 to 2¼ per cent in 1984-85 and 1¾ per cent hy 1988-89. (The speed of the fall in the earlier part of the period is exaggerated by asset sales.)

The series for broad money, i.e., sterling M3, shows a continuing downward path from 6-10 per cent in 1984-85 to 2-6 per cent in 1988-89. The new series for narrow money—or MO—shows a decline from 4-8 per cent next year to 0-4 per cent by the end of the period.

But if one tries to penetrate the jargon and the technical monetary details and ask what the purpose of it all is (the failure to do so being the one deficiency in the Budget speech), the answer is to be found in the series for Money GDP. This is expected to rise at a declining rate, falling from around 8 per cent to just over 5 per cent by the end of the period. This is expected to be enough to finance continuing real growth, but at a declining rate of inflation.

The Government's long-term output assumptions are, in fact, given in the Red Book although they require some finding. The growth forecast for 1984 is given as 3 per cent, as in the autumn statement. But whereas in the antumn statement, it was rounded up from 2.8 per cent, this time it is rounded down from 3.2 per cent.

But in the first balf of 1985 growth is expected to fall back to 2½ per cent; and the average for the whole quinquennium up to 1988-89 is given as 2¼ per cent pa. My own first inclination was to regard this as too low to secure a reasonable reduction in unemployment, especially if the productivity spurt continues. But on reflection, projected growth is better than what it seems because it encompasses a reduction in North Sea oil output. From 1986-87 onwards the growth of the non-North Sea economy would be some ½ per cent faster than the overall figure.

The Government has also given some indication of what it means by stable prices. There has been an underlying downward adjustment in the 1984 inflation forecast. For although the published forecast of 4½ per cent for the end of this year is the same as in the Autumn Statement, this is achieved despite indirect tax changes, over and above indexation, expected to add ¾ per cent to the RPI.

By the middle of 1985 the growth of the RPI is expected to slow down further to reach 4 per cent. For 1986-87 we have to go to another inflation indicator, the GDP deflator which is also given as 4 per cent.

For the terminal year of 1988-89 a different piece of detective work is required. We know that money GDP is expected to rise by about 5 per cent and output by about 2 per cent (a little less than the average of the five years). This gives an underlying inflation rate of 3 per cent which is as far ahead as the Government cares to look, even implicitly.

As far as the monetary basis of it all is concerned, the original intention had been to provide two indicators for narraw money. One would have been M2, which is a much more commonsense measure of transactions balances. But difficulties bave arisen with this aeries because of classification changes in building society deposits, which bas made it suhject to distorting hulges.

Having been forced to stick to one measure of narrow money, the Treasury and Bank decided for the sake of symmetry to have only one target for broad money, which is the old familiar Sterling M3. The measure of broad private sector liquidity, PSL2, has had to be sacrificed as a formal target, not in reality.

Officials were unhappy with the earlier version of the Strategy which had two measures for broad money and one for narrow. This had the effect of diverting attention from narrow money altogether and intensifying the exaggerated interest shown in Sterling M3.

But the Red Book makes clear that the Treasury and Bank will "take into account" in practice all available measures of both broad and narrow money together with the exchange rate. It can only be a matter of time before the Chancellor is persuaded to see the need to summarise his policies in terms of a less technocratic and more final objective such as Money GDP.

There is, however, a more substantive issue. The public expenditure Green Paper, which should never have been issued on Budget Day, shows the Treasury thinking of a range of 1½-2 per cent real growth up to the early 1990s. There is everything to be said for cantion after so many unhappy episodes of growth optimism in recent British history. But given both the possibilities of catching up with other more productive economies and the wonders that are supposed to flow from micro-electronics, it is at least possible that the UK will both need and be able to support more rapid growth.

Possibility the UK will need to support more rapid growth

If this proves to be the case, there should, as the evidence comes in over the next few years, be no hesitation about adjusting both the monetary and the Money-GDP numbers slightly upwards. This would be quite consistent with counter-inflation policies.

But it would mean being satisfied with 3 per cent inflation as a reasonable approximation to stable prices and not attempting to take advantage of faster productivity to drive inflation down to literally zero, an attempt which could lead to a lot of friction and unemployment on the way.

Samuel Brittan

KEY MTFS INDICATORS

	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	£bn cash 1988-89
General government expenditure	132.4	139	146	152	157½	161½	166
General government receipts	122.1	128½	138½	146½	156½	164½	172
Annual fiscal adjustment*	—	—	—	2	4½	3½	3½
Cumulative fiscal adjustment*	—	—	—	—	2	6½	10
PSBR	9.2	10	7	7	7	7	7
as % of GDP	3.3	3¼	2¼	2	2	1¾	1¾
Money GDP at market prices	281	304	328	350	371	392	412
% increase	10.3	8.2	7.9	6.7	6.0	5.7	5.1

* Means lower taxes or higher expenditure than assumed in lines 1 and 2.
Constituent items may not sum to totals due to rounding or minor adjustments.

RANGES FOR MONETARY GROWTH

	Per cent change during year 1984-85	1985-86	1986-87	1987-88	1988-89
Narrow money—M0*	4-8	3-7	2-6	1-5	0-4
Broad money—£M3†	6-10	5-9	4-8	3-7	2-6

* Weekly averaged series.
† New definition: excluding public sector deposits.
Source: Financial Statement.

POLITICAL ASSESSMENT

Nigel Lawson becomes a reformer

DESPITE the dryness of the language and the complexity of the subject matter, every budget has a political theme. Hugh Dalton once began by quoting a popular song of the time: "With a song in my heart." That was in 1946.

The theme of Chancellor Lawson's first budgetary performance was contained in the opening sentence: "This Budget will set the Government's course for this parliament. And for better or for worse, it will. The programme that be introduced will make sense only if it is pursued for several years. There is no immediate reason to doubt the determination to do so.

The political theme recurred throughout. For instance, the Chancellor described the idea of a root and branch reform of an income-based tax system to one based on expenditure taxes as "wholly impractical and unrealistic." Bnt then he added: "I do not believe we can afford to opt for the quiet life and do nothing. So I have chosen the middle way."

The middle way is presumably a conscious reference to the politics of Harold Macmillan when be was in Stockton in the 1930s and which were more than a little radical. But the general statement is a blow at the consolidators in the Cabinet who tend to think that in its second term of office the Government should sit back and just look after the shop. In fact, the radicals have won.

Politics emerge in all sorts of little ways, too. There is the abolition of excise duty on kerosene, designed to help pensioners who use paraffin stoves and tax belp to the disahled who use cars. It is very difficult for any one to argue against that kind of concession.

There is also a recognition of a wider theme, not present in the budgets of Sir Geoffrey Howe. The climate has changed. Economic recovery is under way, but it has not yet significantly affected the level of unemployment. Therefore the time has come to reduce subsidies to capital and remove taxes on labour: hence the dismantling of capital allowances for business and the removal of the national insurance surcharge.

There are several smacks at Mr Denis Healey when he was Chancellor in the second half of the 1970s, and again it was as if an era had changed. Mr Healey more or less made up the tax system as he went along introducing concessions, like stock relief, or impositions, like the insurance surcharge, from one budget to the next. Now, it appears, all that is to stop.

Mr Lawson did not take this view when be first hecame Chancellor. He thought that tax reform was too complicated and would merely bring trouble. Besides, be suggested, any tax in being was worth keeping just in case the Exchequer ever needed an extra £4bn or so.

Apart from simplification of the system, there are three main elements from which this government will never be allowed to escape. It has set its own standards as to how it must be judged.

● Inflation must resume its downward path. The Chancellor aims for a rate of 4.5 per cent by the end of this year.

● There must be a substantial reduction in personal income tax, almost certainly starting next year.

● There must be no increase in public expenditure as a percentage of gross domestic product.

Those standards are very high and Mr Lawson referred only to some of the risks and uncertainties ahead. One was the American budget deficit and growing trade deficit. Another was the possibility of a further disruption in the oil market.

It is not hard to think of others, however. Unemployment, if it is not brought down, may yet lead to political disaffection from the Government. Oil revenues will probably peak in the next few years, though not—the word is—until after the next general election. And there are clearly still some worries about whether the economy is becoming competitive enough fast enough.

Some Cabinet Ministers would also have preferred the Budget to be more expansionary on the grounds that the rise in consumer spending so far has been largely financed by the fall in the savings ratio, an dthat that cannot happen twice. Mr Lawson will respond no doubt that it will be sustained by the rise in personal tax allowances.

For the time being, however, the Tory criticism must be in a minority. The Government has gone through a bad patch mainly because it got itself into a mess over relatively trivial issues. That period should now be over. It is impossible to say of the Chancellor's budget, for example, that there is no long-term strategy. That is one charge at least which should be laid to rest.

There are other tests to come. It was striking that Sir Geoffrey was away in Brussels rather than at his successor's side. The Common Market could provide the biggest test of all in the next few weeks. But for the moment a chapter is ended. The Government is back in the driving seat. All it has to do is to live up to its own high aims.

Malcolm Rutherford

Men and Matters

Three men for Wriston's shoes

With less than six months to go before the end of Walter Wriston's remarkahle 17-year reign at the top of Citicorp, the biggest banking group in the world, there is no word on who will step into the great man's shoes.

Most banks like to choose their chairmen and chief executive well in advance for an orderly succession. But not Citicorp. The last time there was a change at the top was in 1967. Then Wriston and Tom Wilcox were both in the running until the last moment for the chief executive's post.

Wriston won and three years later succeeded to the chairmanship. Wilcox moved to run Crocker National, taking several Citibankers with him.

This time round Citibank watchers believe the choice of successor will go down the line. Next Tuesday at the monthly board meeting the directors will start giving close attention to the matter of succession. It will be the last regular board meeting before the AGM in April. And it is difficult to see how Wriston could preside then without at least a hint of who will run the company after August 3 when be becomes 65.

The three contenders for the job are Hans Angermuller, aged 59, John Reed, aged 44, and Tom Theobald, aged 46. All were appointed vice-chairmen in 1982. All three are paid the same. Indeed, the ideal candidate would be an amalgam of all three in the view of some Wall Street analysts.

The safe choice is Angermuller. He is older than his rivals and has been the key man in bandling Citicorp's regulatory battles. His appointment would be for no more than six years and would give the other two men time to prove themselves for eventual succession.

But Angermuller, a Wall Street attorney for many years, only joined the group in 1973 and lacks hrass-tacks hanking experience. Also, there is a fear that the Citicorp image as a dynamic market leader would suffer if it picked someone looked npon as no more than a caretaker.

That leaves Theohald and Reed. The latter is a boyish-looking electronics whizz-kid who bas turned round the bank's retail banking operations. More than balf the world-wide ataff of 63,000 report to him.

Theohald has been described as the only "real banker" among the three. He controls the largest corporate hanking organisation in the world and it accounts for two-thirds of the group's balance sheet.

Three good runners: and the race is on.

Free money

Money seems to he going out of fashion in Hong Kong.

A zero rate for overnight borrowing on the money markets last night might sound like a rare bargain to Western ears. But it attracted remarkably few if any takers.

The little local difficulty, explains my man on the spot, is that the Hong Kong financial sector is temporarily awash with Hong Kong dollars following some recent fun and games with a share issue for Elec and Eltek, an electronics company.

The issue was oversubscribed 84 times and HK$19bn was returned to the punters. They are trying to find new homes for it.

Alex the Second

The prospectus for BioTechnica, issued today, lists a group of highly qualified scientists among its directors. Included in this list, bowever, is the nnexpected name of Alexander Korda.

Film buffs will remember that Sir Alex was a prolific film maker of the 1930s and 40s, responsible for soch epics as Lady Hamilton and Henry the Eighth.

". . . and now Paul Daniels, the magician, will demonstrate how the Chancellor's proposals will be put into practice"

BioTechnica's Korda, age 33, is Sir Alex's nepbew. But there, he says, the link with the film husiness ends.

"I grew up in an environment populated by funny Hungarians," he says. "There weren't any business principles to be learned from that environment. Business is about people," be says, a rule he has learned after six years with GEC, two years with Logica, and most recently as part-owner of Korda and Co, a London-based consultancy.

There is something of the uncle in the gregarious Alex.

He describes his company's role with BioTechnica as that of "corporate midwife," acting as the young company's corporate planning department, financial director and extended management team all in one.

Not unlike a modern producer, be talks about turning "a very, very conceptual business" into a proper husiness proposition.

And like his uncle who surrounded himself with his family in his work, Korda carries on the tradition. His sister Leila is a secretary at Korda and Co, while the company's brochure cover was designed by artist Henry Korda, Alex's younger hrother.

Instant wisdom

What an adventurous lot the chartered accountants are these days. Much midnight oil was hurned in London last night as they vied with each other to produec penetrating analyses of the Budget and be first with the intelligence to their clients.

Special mention must go to Price Waterhouse who joined forces with British Airways to provide a Badget resume on the 8 pm (local time) flight from New York to London last night. As the Chancellor sat down the PW experts started writing, and filing on facsimile transmission to their New York office.

Peat Marwick decided to try a new means of communicating with their clients by going on to television screens. They put their analysis on to Prestel making it availahle to any Prestel user from 10.30 pm for the price of a telephone call.

Totting up

More Japanese companies will move into Scotland, Japanese Ambassador Tsuyoshi Hirahara, predicted during his visit to Glasgow.

About a third of the Japanese companies that have set up in Britain are already located North of the Border.

Asked why Scotland was so favoured, Hirahara said: "Maybe it is because we like your whisky — and your drinking manners are very similar to our own."

Observer

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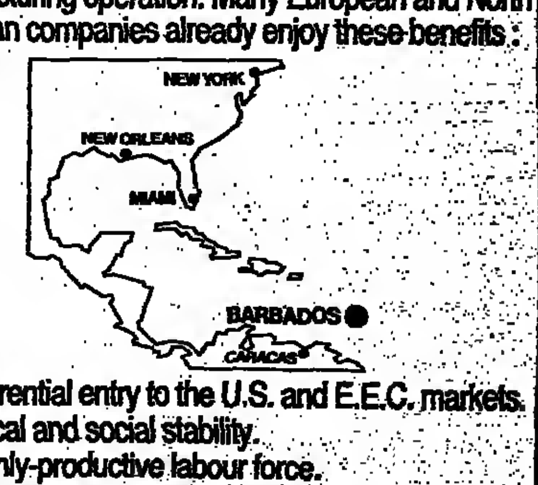

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THE BUDGET: Analysis

CORPORATE FINANCE

Into a more rational climate

THE CHANCELLOR'S radical plans for company taxation promise to release the corporate sector, at last, from a number of complexities and distortions which have afflicted business finance for the past decade or so.

As long as inflation remains low, corporate finance should move progressively into a more rational climate. But the weakness of the new proposals is that they still fail to provide businesses with any built-in protection against tax demands which relate to illusory profits generated by inflationary price rises and not to real profitability or cash flow.

Mr Lawson's proposals have been made against the background of a corporate sector in more robust financial health than for many years. Treasury estimates indicate that retained profits of the industrial and commercial company sector increased by nearly 50 per cent last year, and official indicators of company liquidity show a strongly rising trend.

At the pre-tax level, brokers Phillips and Drew estimate that an improvement of about 24 per cent in industrial profits for last year will be followed by a further gain of about 20 per cent this year.

So although Mr Lawson emphasised the benefits of lower corporation tax rates yesterday, the fact is that corporation tax revenue is on a sharply rising trend. From £5.6bn in 1982-83 and an estimated £8.2bn for the current year the yield is projected to shoot up to £8.4bn in 1984-85.

The imputation system of corporation tax was introduced more than a decade ago partly with the aim of harmonising the tax position of the company and its shareholders. Tax paid by shareholders could be offset against the advance corporation tax paid by the company, and shareholders received a tax credit to effect this.

But it all went wrong when 100 per cent first year tax allowances were introduced to encourage investment in new plant and equipment, and the emergency system of stock relief was brought in to prevent companies being engulfed by a liquidity crisis at the end of 1974 when the inflation rate ballooned.

As a result, many companies had much greater tax allowances than they could utilise. In these circumstances they still had to pay advance corporation tax on dividends, but could not recover it. Equity capital became highly expensive to service.

Borrowing from banks was also rendered expensive because corporation tax shelter was not available. But in this case there was a way round the problem. A market effectively grew up in tax allowances, through a rapidly growing leasing industry mostly operated by the banks.

More recently, as industrial profits have recovered, companies have had an increasing incentive to undertake capital investment to prevent the reappearance of tax liabilities. But the bias towards labour-saving investment has not always been justified in terms of the national economy. Undoubtedly it has contributed towards the high level of unemployment.

NEW ASSETS LEASED TO UK INDUSTRY

	£m
1974	321
1975	340
1976	421
1977	675
1978	1,214
1979	1,802
1980	2,359
1981	2,674
1982	2,634
1983	2,894

Source: Equipment Leasing Association

As Mr Lawson put it yesterday: "We need investment decisions based on future market assessments, not future tax assessments."

Mr Lawson now proposes to legislate for a progressive fall in initial allowances on plant and equipment from 100 per cent now to only 25 per cent (the same as the annual writing down allowance) in the next two years.

And he is abolishing more abruptly the scheme for stock relief (a slightly more refined version of the system brought in as an emergency measure by Mr Denis Healey at the end of 1974).

Taken together, these measures could threaten that from a position of under taxing real profits the Chancellor will move to an overtaxing position, given that the future corporate tax base will be more closely akin to strict historical cost profits.

But this will be tolerable as long as inflation stays low and the corporation tax rates is actually reduced to the 35 per cent level promised for 1985-86.

A high profit/low tax environment promises to transform the financing of companies. A key effect will be to make equity financing more attractive relative to borrowing. At present a company can offset 52 per cent of interest paid on bank loans or loan stocks against tax. When it pays dividends to shareholders it can offset the 30 per cent ACT, but still needs to pay mainstream tax at 22 per cent.

But under the projected changes, this extra burden will in due course fall to no more than 5 per cent (assuming the standard rate of income tax remains at 30 per cent).

So it will become more attractive for companies to raise new equity capital to pay off borrowings. At the same time, the phasing out of initial allowances will reduce the banks' ability to offer low rates on leasing and will consequently make this form of financing less economic too.

In fact the banks will face still further competition from the corporate bond market, which will be helped by measures like relief from stamp duty and the belated go-ahead for deep discount bonds.

A major resurgence of bond financing cannot come about, however, until interest rates fall further. That is, of course, another fundamental objective of government policy, but corporate treasurers are unlikely to be keen to lock themselves into long term rates in double digits.

And companies have grown used to dealing with the banks, which have devised flexible medium term financial packages which suit corporate requirements well. Corporate treasurers will be reluctant to go back to old-style bond financing through the stock market or a private placement institutional market if this meant being saddled with highly restrictive trust deeds. But they would undoubtedly do so if the interest rates on offer were attractive enough.

Mr Lawson proposes to reverse many of the corporate tax changes of the past decade, and coupled with the return of inflation to the level of the 1960s there is a chance that the financing of British industry will revert to a more traditional form.

The big challenge will be faced by the banks. Historically they played little direct role in the long-term financing of industry but concentrated on providing short-term seasonal finance on an overdraft basis.

In the 1970s the high level of inflation, with its accompanying high and volatile interest rates, coupled with the distortions in the tax system, allowed the banks to play a much more dominant role. If Mr Lawson's plans mature, the banks may have to let much of their industrial business slip back to the securities markets. Perhaps that is one reason why they are so keen to take over the Stock Exchange.

Barry Riley

REAL INCOMES

A little for everyone but generally neutral

THIS YEAR the Chancellor has tried to be all things to all people—or at least to all who are earning wages and salaries.

He has increased higher rate thresholds by the minimum necessary to comply with the existing "indexation" requirement and at first sight seems to have given more away by raising the tax threshold by over twice the amount necessary to keep pace with inflation.

But the chart shows that in real terms the higher income earners are not quite keeping pace: or to put it another way, the Chancellor has not increased higher rate thresholds as much as his predecessor did last year.

There are, however, other benefits for higher income earners such as the more generous regime for share options.

For the individual, higher rate thresholds have been increased by approximately 5.5 per cent roughly in accordance with the indexation provisions introduced four years ago.

Personal allowances have been increased by over 12 per cent. An increase of £220 has been made in the Single Personal Allowance to £2,005, and £360 in the Married Personal Allowance to £3,155. The Age Allowance has similarly increased.

The basic rate of tax remains at 30 per cent but the band to which this rate applies has been increased from £14,600 to £15,400.

The higher-rate bands are: £15,400-£18,200 at 40 per cent; £18,201-£23,100 at 45 per cent; £23,101-£30,600 at 50 per cent; £30,601-£38,100 at 55 per cent. Over £38,100 at 60 per cent.

The chart illustrates the relative changes in real disposable income at five income levels since 1979. It attempts to show whether, year by year, net spendable income is keeping pace with the previous year's figure as adjusted by the Retail Price Index.

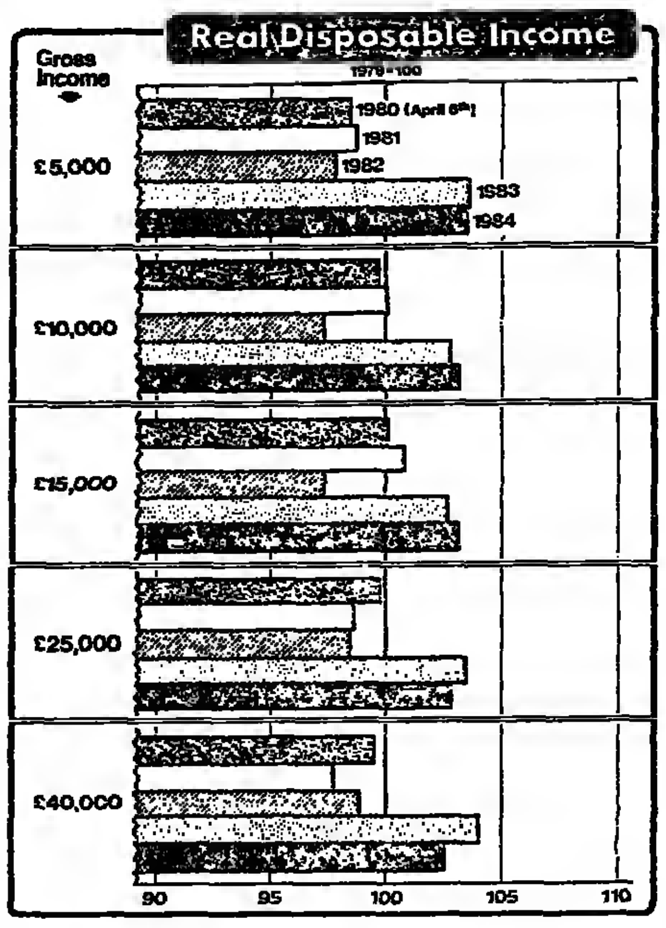
At each level of gross income, it is assumed that a married man with two young children has received pay increases broadly in line with average earnings (8 per cent increase has been assumed).

Income tax and Social Security contributions have been deducted from these earnings, and child benefit has been added. Since the revised rate of child benefit from November 1984 will not be announced until the May Retail Price Index is known, we have assumed an increase of 5 per cent.

The resulting spendable income has been compared with the level of real spending power which he would have enjoyed, taking April 1979=100 and indexing in line with the Retail Price Index.

The overall message is clear. The personal taxation proposals overall have a little for everyone, but generally are neutral in real terms. This is the type of Budget we should expect in the first year of a new Government when political pressures are easiest.

John Underhill



This table shows the extent by which real spending power has been maintained by successive Budgets since 1979. This year, the lower earner has done relatively better than the higher earner who has not benefited from higher rate bands being increased by more than inflation, as they were in 1982. The personal taxation proposals generally are neutral in real terms, although the effect of changes in taxes on spending patterns in excluded

IMPACT ON INDUSTRY

A radical shift which should create jobs

INDUSTRIAL INVESTMENT equals prosperity. No Government has questioned this simple equation at least since the "white heat of the technological revolution" which Harold Wilson promised the country in the 1960s and failed to deliver.

Yesterday, Mr Lawson put down a milestone in British economic history by doing just that. The shift from indiscriminate subsidies for industrial investments, to lower tax rates for businesses of all kinds, whether they invest in capital or not, could alter the structure of the of the British economy for years to come—and it should do it in a way which creates jobs.

Whether these jobs will be well-paid and highly productive, or relatively menial and low skilled, is another matter, since capital investment and productivity growth undoubtedly tend to move up and down together. And there can be little doubt that the phasing out of investment allowances is likely to reduce the quantity of industrial investment in Britain over the long-term, even if it improves its quality.

As the Chancellor said, "the evidence suggests that businesses have invested substantially in assets yielding a lower rate of return than the investments made by our principal competitors."

Since it is unlikely that British businesses were deliberately ignoring more profitable investment projects in favour of less attractive ones, the inevitable conclusion is that investment in Britain has been too high; at least in relation to the economic background against which such investment has had to operate.

In the 1950s and 1960s, when the present structure of corporation tax was devised, with its heavy emphasis on investment incentives, such a conclusion would have been inconceivable and even today it sould heretical.

What has changed since the 1960s and what justifies the historic shift in the tax system announced yesterday is obvious—it is the level of unemployment. As Mr Lawson suggested, the existence of 3m unemployed is in itself the best evidence that British industry has developed over the years with an excessive bias towards capital-intensive, rather than labour-intensive, production.

Anybody who agrees with the Government that the primary cause of this unemployment is excessive wages which have priced workers out of jobs is bound to support the abolition of the National Insurance surcharge, which, from the employer's point of view, is equivalent to a reduction of 1 per cent in wages.

Of course, nobody in industry is likely to complain about the abolition of NIS in any case. But the capital-intensive industries, which may find the switch from investment allowances to lower overall tax rates less welcome, must accept that this shift too is justified by the diagnosis that workers are being priced out of jobs.

For even if higher investment does not tend to promote productivity growth in capital-intensive industries, it tends to create small numbers of highly-paid jobs, rather than large numbers of low-paid ones.

The new pattern of corporate taxation should gradually move the structure of the British economy further in the direction of services at the expense of manufacturing. And within both the manufacturing and service sectors it should encourage business methods which use more labour and less capital—it should tend to discourage supermarkets investing in automated checkouts and encourage industrialists not to invest in computerised warehouses as rapidly as they might otherwise have done.

Ideally, it may move the British economy closer to the U.S. model, with rapid employment growth, particularly in the low wage service areas. The cost of this in the U.S. has been an internationally sub-standard investment and productivity performance, which is one reason why most other advanced industrialised countries still believe that the promotion of industrial investment is the key to generating extra jobs.

The poor productivity record of the U.S. is also why the Reagan Administration has implemented corporate tax changes with precisely the opposite effect to Mr Lawson's. The tax structure has been redesigned to give greater incentives for investment and the idea of introducing 100 per cent first-year depreciation is one favoured by many U.S. economies from the political left to the right.

But, even if Mr Lawson's measures go against the grain of what governments are saying and doing in other countries, their logic is evident for Britain. Britain's productivity problems have probably lain as much in the inefficient use of existing equipment as in the lack of modern new machinery.

Thus, even with a reduction in overall investment rates, there is plenty of scope for British workers to improve their productivity in industries where low productivity is threatening jobs by making Britain uncompetitive internationally. Meanwhile, the reduction in employment taxation and the fall in general corporation tax rates should encourage other industries, predominantly in the services, where excessive general wage levels are impeding the creation of jobs.

Thus, in the long-term, yesterday's Corporation tax measures make eminent sense, especially for those who accept the view that the emphasis of Britain's economic development for many decades has been too heavily oriented towards the manufacturing sector.

In the shorter term, they may have a peverse, but equally welcome effect. If the phased cuts in investment allowances cause companies to bring forward their investment plans, they will actually stimulate industrial investment in the short-run. For a year or two the Government may have the best of both worlds; higher economic growth resulting from the extra demand for investment goods, accompanied by a gradual longer-term tilt in the economy towards a more labour-intensive, service economy.

Anatole Kaletsky

THE SAVER AND INVESTOR

Unit trusts—the main beneficiaries

THE NEED to make savings and investment decision simpler was, according to the Chancellor, one of the reasons behind the tax reforms in the field of personal finance.

The changes will have an impact in two areas. They will reduce the attractions of investing under the fig-leaf of a life assurance or friendly society policy although some attractions remain for higher-rate taxpayers. And for both investors and traders, they enhance the attractions of setting up a company to receive and accumulate the returns.

Until yesterday, the premiums paid towards any life assurance policy were topped up by a government subsidy of 17.65 per cent of the amount paid. This subsidy was granted even when the actuarial value of the insurance element was tiny and the real purpose of the policy was as a form of longer-term contractual savings. From today, no such subsidy will be given. Also affected will be endowment mortgages where the 17.65 per cent subsidy will be withdrawn.

But all those who have previously taken out policies and endowment mortgages will continue to obtain premium relief for the duration of the plan, normally 10 years.

The main beneficiaries of the changes will probably be unit trusts. They will have a fiscal edge over life offices when offering their savings plans to basic rate taxpayers and could easily throw in a small amount of term life assurance to offer a product identical to that available from life offices.

Their fiscal advantage arises because unit trusts—and investment trusts—are exempt from tax on capital gains achieved internally within their managed funds, unlike life offices.

Mrs Audrey Head, chairman of the Unit Trust Association, said: "Unit-linked life assurance savings plans have stolen the thunder up to now. But this must be helpful for us."

Basic-rate taxpayers will find it easier to make comparisons between both the investment performance of and the management charges and commissions on the different sorts of longer-term investment plans.

For higher-rate taxpayers, particularly those whose rates are likely to fall in the future, some forms of life assurance plans will retain as attraction. This is because the income from investments made by the managed life office fund will be taxed at a marginal rate of only 37½ per cent, rather than their individual higher rates.

This rates will admittedly be higher than the corporation tax rates of 35 per cent which will come into effect in 1986. But the life offices have always succeeded in exploiting allowances to reduce their average tax rates to much lower levels.

Investment in friendly societies, which until yesterday could also attract a 17.65 per cent subsidy, had a further attraction in that they paid no corporation tax on their internally generated income. From today they will be able to do that to a more limited extent. The limit of £2,000 gross sums assured which were granted tax exemptions has been reduced to £750.

At least one friendly society, run by Abbey Life, announced yesterday it was suspending the marketing of any new policies. Mr Peter Kent, of the Lancashire and Yorkshire friendly society, said: "It will have a marked effect on our business. But it is not a catastrophe."

The Life Officies Association said the change would harm the small saver. It added that it would press the Chancellor to introdnce more equal tax treatment for all savings institutions. A variety of anomalies remain, it claimed.

Mr John Hills, a senior research officer at the Institute of Fiscal Studies, wo produced a study of to taxation of savings and investment last week, concurred.

"The Chancellor is playing around rather than doing anything radical," he said. "Some of the moves are in the right direction. But there is no indication of a longer-term strategy. Far too many anomalies are still there."

The abolition of the investment income surcharge, imposed at a standard rate of 15 per cent on unearned income above £7,100 a year, will remove a few anomalies.

In particular, it will remove the accumulation of arbitrary and complicated rulings over the taxation of the income from furnished lettings and other rented accommodation. There have been disputs over whether this should be treated as earned or unearned income.

It will also encourage traders and wealthier investors to set a company to shield their profits, as any income they withdraw from the company in the form of dividands will no longer be subject to the surcharge.

The most important group of beneficiaries from this change will be the retired. Of the 280,000 taxpayers who at present are subject to the surcharge, 160,000 are over 65.

The abolition of the surcharge will also reduce the incentive to devise ways of converting returns from an investment in the form of income into capital gains. The attractions of high income-yielding unit trusts should therefore be enhanced at the expense of capital growth trusts.

Even for the pensioner, who is a basic rate (30 per cent) taxpayer but was subject to the surcharge, capital gains will still be taxed more favourably, even if he has used up his annual £5,600 CGT exemption. This is because inflation adjustment can be used to reduce taxable capital gains but not investment income.

Tax shelters such as the business expansion scheme or the relief allowed on investment in small industrial properties will have their attractions reduced for the wealthy, as the top rate of tax on investment income will now be only 60 instead of 75 per cent. From now on, the top-rate taxpayer will have to meet 40 per cent, instead of 25 per cent, of the cost of investing in such a venture.

Two forms of investment which will become more profitable for the private investor are the purchase of shares and houses. In both cases, this arises from the halving of stamp duty to 1 per cent and, for houses, the raising of the exempt limit to £30,000. Indirectly, investors in unit trusts investing in UK equities will also benefit as their managers will incur lower dealing costs.

Clive Wolman

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FINANCIAL TIMES

Wednesday March 14 1984

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BLACKWOOD HODGE

Court ban sought over UK coalfield picketing

By John Lloyd, in London

MORE than 100 of Britain's 174 coal mines were at a standstill yesterday on the second day of strikes called in protest at pit closures and job losses. The number of men either on strike, or prevented from working by pickets, was estimated to be 109,000 out of a workforce of 184,000.

Last night, the National Coal Board (NCB) decided to seek an injunction against the Yorkshire area executive of the National Union of Mineworkers (NUM) to stop it encouraging "flying pickets" – the term given to militant union members who picket coalfields outside their own area. The NCB is expected to apply for the injunction in the High Court in London today.

The NCB's decision followed the Yorkshire NUM's reversal yesterday of its policy of actively discouraging secondary picketing. The Yorkshire union executive said the NCB's closure of two flooded Yorkshire pits was a major reason for spreading the strike.

Mr Jack Taylor, the Yorkshire area president, said: "The gloves are off now. Other areas and other mining unions know their future is at stake, like ours, and we expect them to follow our lead."

Pickets from Yorkshire moved south yesterday into the Nottinghamshire and South Wales coalfields. But they were condemned by Mr Ray Chadburn, NUM president in Nottinghamshire. Mr Henry Richardson, the NUM area general secretary, said: "We cannot accept the type of intimidation which is taking place. This type of action is not picketing, but mass blockading."

At Harworth colliery in Nottinghamshire, about 500 men voted in principle to defy the pickets and return to work. But they later decided not to go back until after a ballot on Friday of the county's 34,000 miners. Some said they feared for their safety.

Pickets from Yorkshire then succeeded in closing another mine, Bevercotes. Two collieries in Derbyshire, Creswell and Whitwell, were also stopped by the pickets.

In South Wales, where there had previously been opposition to a strike, all mining was brought to a halt yesterday. The NCB said that men had arrived for work at only three of the coalfield's 28 collieries and in insufficient numbers for production. Heavy picket lines deterred other men from working.

Mrs Margaret Thatcher, the Prime Minister, told the House of Commons yesterday that an "overwhelming majority" of people would support police action to deal with picket line violence and intimidation.

She said the Government would not intervene in the dispute. She defended Mr Ian MacGregor, the NCB chairman, against opposition claims that he had created conflict in the industry.

IG Metall sets 35-hour week talks deadline

By Jonathan Carr in Frankfurt

THE DISPUTE over introduction of a 35-hour working week in West Germany became sharper yesterday when IG Metall, the metalworkers' trade union, gave the employers until March 29 to show signs of budging on union demands.

If by that date there were no move from the employers' side it would be fruitless to hold further negotiations, the leadership of IG Metall said in a statement.

The union gave no clear sign of what action it would take if its call to the employers was not heeded. It did, however, appeal to union members at regional level to support the present wave of warning strikes to the full.

Engineers rebut "German disease," Page 2

Agreement reached on ceasefire in Lebanon

BY ANTHONY McDERMOTT IN LAUSANNE

A CEASEFIRE in Lebanon from 9pm Beirut time last night was finally agreed yesterday by the Lebanese Reconciliation Council meeting in Lausanne.

Agreement came after severe differences over whether President Amin Gemayel should sign the ceasefire pact had threatened to destroy the attempt in Lausanne to achieve a lasting peace for the country.

The difficulty was removed by making the ceasefire a declaration of the full conference.

A military commission will now be established, made up largely of retired military and security officials to monitor demarcation lines between the warring factions. Beirut air and sea ports will be reopened and propaganda campaigns are to be halted.

Earlier reports that a ceasefire had been agreed proved premature, and the talks had to be continued into the evening to resolve the deadlock.

Mr Walid Jumblatt, the opposition Druze chieftain and head of the Progressive Socialist Party, had earlier emerged from the meeting saying that Mr Gemayel had refused to sign the agreement on the grounds that he was a referee between the warring militias.

Mr Jumblatt rejected this position, saying: "The man who is President does not know he is at war with his own people."

He added that he was not against a ceasefire but that the President, as head of the national Lebanese Armed Forces, should be party to the agreement. He implied that the armed forces were no better than any other militia.

Shortly afterwards, Mr Michel Samaha, the President's political adviser, said that Mr Gemayel was "President of the republic and not a party in the conflict."

He maintained that Mr Abdel-Halim Khaddam, the Syrian Vice-President and the key figure in the conference, even though his status is nominally one of "observer," had acknowledged Mr Gemayel's presidential role and had not insisted on his signature.

This dispute, which arose after reporters had been told that an announcement was on its way, indicates the delicate nature of the tensions between the different factions.

On the one hand, the Christian President, while offering concessions, is attempting to hang on as much as possible to the authority of his office. On the other, the opposition groups, led by Mr Jumblatt and Mr Nabih Berri, leader of the Shiite Amal militia, are trying to reduce them. It is part of the search for "national reconciliation" through redressing the Christian-Moslem imbalance.

At the beginning of yesterday morning's session, Mr Khaddam had reaffirmed Syria's support for Mr Gemayel. He said he was prepared to stay as long as necessary to produce a comprehensive national agreement.

The conference, he said, should come up with "crucial decisions which will put an end to the tragedy of Lebanon and an immediate ceasefire with the agreement of all the warring factions."

European and U.S. interests anxious to win Intelsat deal

BY DAVID MARSH IN PARIS AND PETER MARSH IN LONDON

RIVALRY between the U.S. and Western Europe over orders for launching satellites is likely to surface today at the start of a meeting in Washington of Intelsat, the international satellite communications body.

The governing board of the 108-nation organisation will discuss whether to choose the U.S. space shuttle or Europe's Ariane rocket to launch three Intelsat-VI satellites in 1986-87.

After Ariane's successful lifting into orbit this month of an Intelsat-V spacecraft, and the space shuttle's embarrassing failure in February to launch two communications satellites, European space planners believe they have a good chance of clinching the Intelsat-VI deal.

The new generation of four-tonne Intelsat-VI satellites can carry more telephooe and TV signals than the current Intelsat-V craft. Intelsat has selected the space shuttle to launch the first two of the Intelsat-VI series. Those launches should take place in 1986.

According to an Intelsat official, the organisation's governing board – which is considering other matters during a meeting that lasts until next week – might delay any political repercussions by deferring a choice between the two spacecraft.

That would annoy Arianespace, the Paris-based company that sells Ariane rockets. "We have made an offer, and there is no reason for Intelsat to delay making a decision," Mr Klaus Iserland, deputy director general, said.

Emphasising that Arianespace was negotiating with about six domestic U.S. companies to win fresh orders, Mr Iserland said the sales climate for Ariane had improved since the rocket's latest success and the shuttle's setback.

Intelsat has traditionally been dominated by the U.S. which has a 24 per cent stake in the organisation.

Countries in Western Europe are increasingly eager to capitalise on their expertise in space and telecommunications technology and exert more influence over Intelsat's affairs.

The Ariane price quoted for the contract is thought to be slightly higher than the fee of around $50m, that Nasa, the U.S. space agency, is asking for a shuttle launch.

Even though Nasa is roughly doubling its prices next year, the shuttle will remain "terribly subsidised," Mr Iserland said.

Arianespace claims that each shuttle flight in 1986 will cost nearly $150m, of which Nasa will recoup about $100m in launch fees, with the U.S. taxpayer putting up the rest.

Japan may invest in manned space station, Page 7

Radical shift planned in UK taxation

Continued from Page 1

UK, Mr Richard Rouse, tax partner at accountants Arthur Young McLelland Moores, said: "I think it will have a serious effect on foreigners who come to work here. They may even find they pay more tax than if they had stayed at home. They will tend to want to go elsewhere."

Mr Philip Gillett, tax partner at Price Waterhouse & Co, another leading accountant, commented: "There must be a significant impact on the many big foreign banks which employ overseas staff here. Most companies provide their employees with a tax-protected package so this change will mean the companies rather than the individuals face an additional cost."

In 1985–86, the changes in yesterday's budget will be worth about £1.75bn to corporate and personal tax payers. Mr Lawson's decision to accelerate the payment of value-added tax on imports, which he estimates will give the Treasury a once-for-all benefit of £1.2bn, will allow him to carry forward some of the scope for tax cuts which Treasury calculations suggest for 1985–86.

Even so, the financial statement and budget report issued yesterday suggests that further tax cuts of £2bn should be possible in 1985–86, with an average of £3.8bn in each of the three following years.

In his budget speech, Mr Lawson said the general aim of his tax reforms was based on two guiding principles: "First, tha need to make changes that will improve our economic performance over the longer term; second, the desire to make life a little simpler for the taxpayer."

The changes fall into three broad categories:

Taxes on business: A radical change in the structure of corporation tax is proposed, with a reduction of corporation tax from the present 52 per cent to 35 per cent by 1986–87 with a phasing out of allowances for capital investment and stock relief.

As a counterpart to the reduction of the subsidy on capital investment, Mr Lawson announced that the 1 per cent national insurance surcharge, in effect a tax on labour, was to be abolished.

Taxation on savings and investment: Mr Lawson's aim was to shift the advantage of saving from institutions to individuals. He announced a cut in the stamp duty on share transactions from 2 per cent to 1 per cent. The halving of stamp duty is intended to help companies to raise equity finance as well as to encourage personal investors.

A number of measures were announced with the aim of encouraging companies to issue fixed-interest corporate bonds, including a provision that capital gains on corporate bonds would be exempt from tax. Tax relief on new life assurance contracts is to be abolished and clearing banks are to deduct the standard rate of income tax from interest payments on deposit accounts, following the current practice of building societies.

Personal taxation: the threshold for the payment of income tax was raised by 7 per cent and thresholds for higher tax rate in parallel with inflation.

In the City, the mood was euphoric after the Chancellor's speech. Among stockbrokers, Grieveson Grant thought the changes "were a lot more radical than we anticipated" and said the budget would be good for companies in the consumer sector and stores.

Phillips and Drew said Mr Lawson had been "more adventurous" on items such as corporation tax than had been expected. Laing and Cruickshank described it as a "budget the City wanted. The Chancellor is taking a risk because of the uncertain effects of some of the tax changes. But it is a risk worth taking."

Sir Nicholas Goodison, chairman of the Stock Exchange, commenting on the reduction in stamp duty, said Mr Lawsoo "has taken a number of steps which will lead to more people having a direct stake in British industry. He has also begun to tackle the absurd complexities of the British tax system."

But amid booming conditions on the London stock market, the withdrawal of tax relief on all new insurance policies depressed the share prices of life insurance companies. Earlier gains of 18p were wiped out by substantial falls in share prices that ranged to 38p at the close. Equity and Law closed 38p lower at 715p after standing at 760p, while London and Manchester dropped 37p to 445p after 486p. Shares of Prudential Corporation fell 28p to 430p and share prices of other life insurance groups were weak.

Sumitomo set to take over Dunlop in France

By David Marsh in Paris

SUMITOMO RUBBER, the Japanese tyre group, looks set to take over Dunlop's troubled French tyre and rubber subsidiary, which filed for bankruptcy last October, in spite of a late counter-bid from Michelin, the dominant French tyre manufacturer.

French government officials say that Michelin's counter-proposition does not match the much firmer Dunlop offer made by Sumitomo, which has been in negotiations for several weeks to take over a slimmed-down Dunlop France from May 1.

Sumitomo was given approval last week to acquire Dunlop's French assets by the Nanterre commercial court which has been handling the company's affairs.

The deal will not go through, however, until the Government has given final authorisation for the Sumitomo takeover. Negotiations are continuing in Paris on the question of workforce cuts and on the details of government-subsidised loans that Sumitomo will receive to help to finance a FFr 300m ($37.5m) investment plan over three years to modernise parts of the Dunlop plants.

Sumitomo Rubber agreed to take over Dunlop's UK and West German tyre activities last autumn, but said it was not interested in the French subsidiary.

Cut adrift from the rest of the group, Dunlop France soon afterwards filed for bankruptcy, amid considerable resentment in the French Government that the British parent company had allowed its subsidiary to collapse.

During months of negotiations and contacts with the Government's Ciri committee, which handles cases of companies in difficulties, Sumitomo later emerged as the only serious bidder for Dunlop France.

Other international tyre companies, including Pirelli, Goodyear and Firestone, showed interest only in taking over parts of Dunlop's network of five French factories – a solution the French Government found unacceptable.

Sumitomo's renewed interest was thought to reflect chiefly its keenness to aquire the Dunlop trademark throughout Europe. The company's latest proposals, which have been put to Ciri officials and Dunlop unions at meetings in Paris with Mr Shinishi Saito, Sumitomo Rubber's president, involve cutting 1,800 of Dunlop's present 5,500 jobs and closing a small factory at Le Bourget.

Ciri officials say that the Sumitomo solution is greatly preferable to a last-minute proposal by Michelin to set up a new company in Montluçon, the site of Dunlop's biggest and most outmoded French plant, to employ some of the surplus workforce there. Sumitomo itself is proposing roughly to halve the 2,800-strong Montluçon staff.

Its Montluçon offer, which has not been made officially either to Ciri or to Dunlop's receivers, has been prompted by the French company's view that Sumitomo might later become a dangerous competitor on the European tyre market.

Bridgestone, the leading Japanese tyre group, has already become a formidable competitor for European and North American tyre groups on world markets.

Austria lifts rate to stem capital outflow

By Patrick Blum in Vienna

THE AUSTRIAN discount rate was raised by half a percentage point last night to 4¼ per cent to counteract an outflow of capital. The rise brings the Austrian rate once again to a position ¼ percentage point above the West German rate. The Lombard rate was raised from 4¾ per cent to 5½ per cent, bringing it level with the West German rate.

The decision is bound to fuel speculation about increases to other interest rates. Capital market yields of about 8.3 per cent are comparable with those in West Germany, but the introduction of a 7.5 per cent tax on interest on January 1 reduced yields after tax.

Dr Herbert Salcher, Finance Minister, has resisted pressure to raise interest rates but may well be compelled to do so in the long run. In the second half of 1983, there was a considerable outflow of capital, partly to avoid the new tax, and the National Bank has seen its foreign exchange reserves fall by Sch 15bn ($830m) from Sch 75bn in November to Sch 60bn in February.

While part of that is a result of the decline of the U.S. dollar, the scale of capital outflow has alarmed senior bankers.

THE LEX COLUMN

Plain-talking Mr Lawson

In his first budget performance, Mr Lawson, Britain's Chancellor of the Exchequer, showed none of the trepidation of the nervous debutant. The message conveyed to the House of Commons was refreshingly crisp and concise. The fact that the rescue of Calke Abbey was the only real surprise should not detract from the radical quality of much of the content. Mr Lawson has not only set ont to redress a whole variety of historic imbalances in the real economy; he has also committed himself to following this logic through for at least the rest of this Government's term.

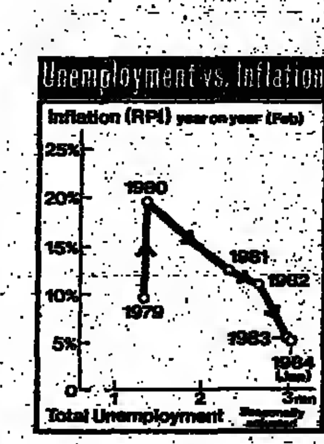
In proposing what amounts to a charter for industry, Mr Lawson has deliberately made himself a hostage to economic fortune. By superimposing a medium-term tax strategy on the existing financial framework, the Chancellor may have restricted further his room for manoeuvre. Since the growth and, in particular, the inflation assumptions on which this strategy is predicated look optimistic, there must be a risk that parts of the charter may need to be redrafted.

But the last thing in the mind of the equity market yesterday afternoon was the further reaches of the medium term. The FT 30-Share Index, which had already discounted a fair proportion of yesterday's fiscal goodies, added a further 20.9 points to close at a record 865.0. No doubt a part of the rise reflected simply the welcome halving of stamp duty and abolition of the investment income surcharge, but there was also genuine enthusiasm about the prospects for corporate earnings, cash flow, and dividends.

Symmetry

Whila orchestrating the phasing out of first year capital allowances, the abolition of stock relief and the reduction in corporation tax in a roughly symmetrical fashion, the Chancellor has ensured that in the early stages of the transition there will be substantial net benefits to the corporate sector.

Many industrial companies have substantial unused capital allowance capacity which they will be able to carry forward. Yet the business tax proposals will encourage companies to accelerate their capital programmes, particularly since relief will henceforth be available when the investment money is spent, rather than when plant comes on stream.



It so happens that the Chancellor has acted to stimulate immediate capital formation at a time when corporate liquidity is exceptionally strong, but there must some risk that he will thereby spark off a resurgence in business loan demand, the weakness of which has kept his monetary aggregates roughly on target over the past year.

The reduction in the standard level of mainstream corporation tax should mitigate this problem, by enhancing the attractions of equity finance, net of tax, in relation to bank loans. Mr Lawson has also endeavoured to promote the corporate bond market at the expense of bank borrowing by putting new corporate debt on broadly the same tax basis as gilt-edged and by resuscitating his predecessor's attempt to facilitate the issuance of deep discount bonds and such like.

In toto, however, it would not be surprising to see the corporate sector making greater demands on the equity market now that this package is on the table. So, if there is a real downside risk for the market, it is probably the danger of indigestion at a time when the Government itself is wheeling its privatisation issues on to the Stock Exchange floor.

Apart from such obvious losers as the life assurance companies, there are few sectors which stand open to collective punishment or gain from the new tax regime. The banks must be eyeing their leasing portfolios with some concern but if, as they often claim, the tax benefit has been mostly passed on to the lessee in any case, the impact should not be too frightening. And at least they have been spared the dreaded financial services tax.

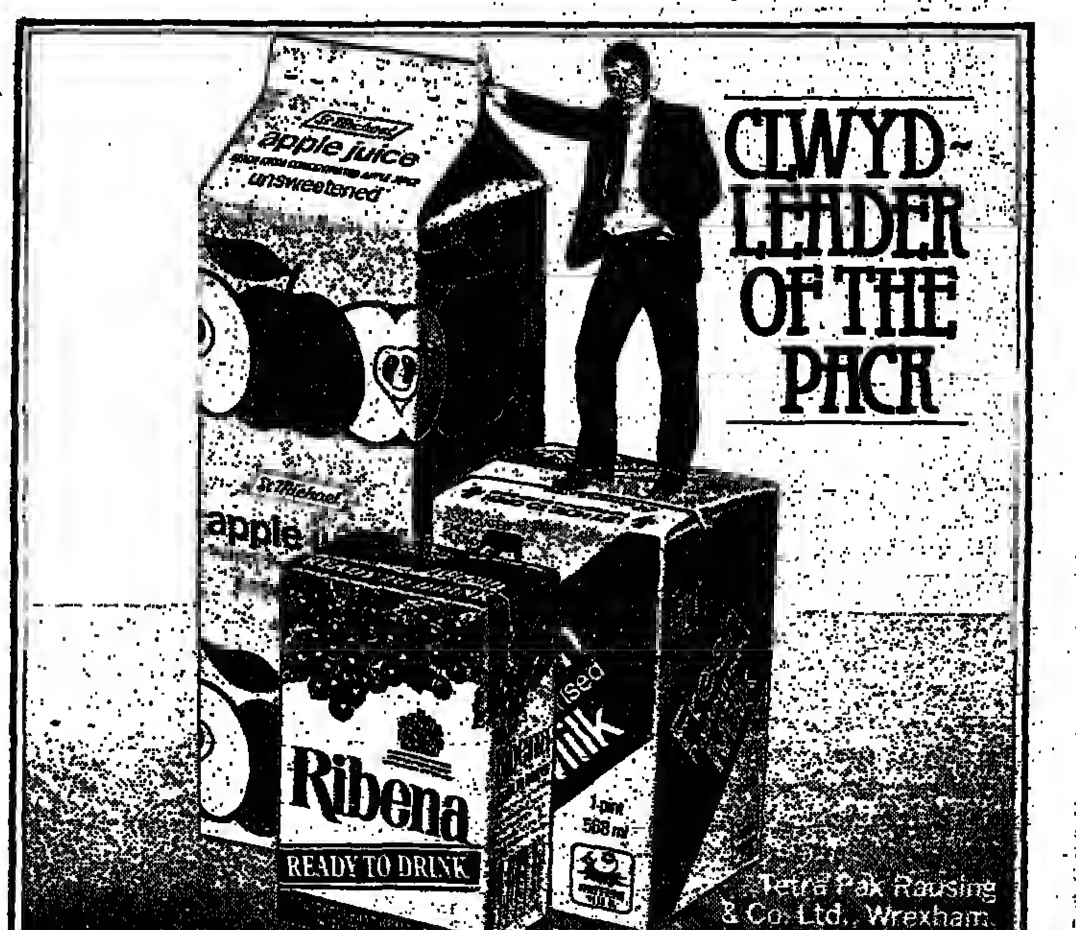
Within the oil sector, the larger companies – such as Shell and BP – with consistent cash flows and continuous development programmes will probably end up net beneficiaries, while the smaller exploration and development companies may be penalised. In general, service companies and sectors of low capital intensity will be assisted more than manufacturing industry, although here again individual circumstances vary widely.

One supplementary benefit of the regime will be to make the comparison of companies' financial performance more straightforward. From now on, tax rates should tend to converge and, if nothing else, the Chancellor should yesterday have driven the final nail into the coffin of the fully-taxed p/e.

Cogent analysis

Set against the background of the Chancellor's cogent analysis of the whole savings and business tax structure, his remarks on the direction of monetary policy sounded somewhat lame. While the target bands for the monetary aggregates emerged in line with expectations, it was disappointing to see PSL 2 – perhaps the most reliable measure of credit expansion – dispatched targetless to stand in the corner for having strayed out of bounds last year. The teacher's new pet, Mo, has been given a good deal of latitude and, if the market doubters are to be believed, it will need every inch of it.

The gilt-edged market felt rather left out of yesterday's proceedings but when trading resumes today, it will probably have little to complain of. The money markets look ripe for a further cut in the Bank of England's dealing rates and there were a least no nasty surprises from the Chancellor. The new PSBR target of £7¼bn may be based on some fairly dicey arithmetic but it does suggest, overfunding aside, that the Government Broker will not need to force-feed the market with stock. It is hard to imagine any stockbroker not willing to celebrate yesterday's budget. Not only has stamp duty been halved, but there are few industries anywhere which will benefit more completely from the cuts in corporation tax than this deserving community.



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		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	14	57	Dubrovnik	F	10	50	Malaga	S	9	48	Salzburg	S	5	41
Algarve	C	16	61	Faro	—	—	—	Malta	F	15	59	Seoul	C	8	46
Algiers	—	—	—	Florence	S	12	54	Manila	F	34	93	Singapore	F	30	86
Amsterdam	F	4	39	Frankfurt	F	6	43	Miami	S	21	70	Stockholm	S	0	32
Athens	C	11	52	Funchal	C	14	57	Milan	S	9	48	Strasbourg	S	7	45
Bahrain	C	25	77	Geneva	S	5	41	Moscow	C	1	34	Sydney	F	26	79
Bangkok	F	34	93	Gibraltar	F	13	55	Munich	S	2	36	Taipei	C	24	75
Barcelona	—	—	—	Guernsey	F	5	41	Nairobi	—	—	—	Tangier	C	15	59
Beirut	—	—	—	Helsinki	S	3	37	Naples	F	12	54	Tehran	—	—	—
Belgrade	C	4	39	H. Kong	C	22	72	New Delhi	F	33	91	Tel Aviv	C	17	63
Berlin	S	6	43	Innsbruck	S	5	41	New York	Sn	-1	30	Tenerife	S	15	59
Biarritz	S	15	59	Inverness	F	5	41	Nice	S	12	54	Tokyo	C	10	50
Blackpool	C	5	41	Istanbul	C	3	37	Oporto	F	8	46	Toronto	Sn	-10	14
Bordeaux	S	11	52	Jersey	C	5	41	Oslo	S	2	36	Tunis	S	15	59
Brussels	C	3	37	Jo'burg	F	25	77	Paris	S	6	43	Valencia	R	8	46
Budapest	F	8	46	Las Palmas	C	17	63	Prague	—	—	—	Venice	S	8	46
B. Aires	F	25	77	Lima	F	26	79	Reykjavik	S	5	41	Vienna	F	4	39
Cairo	C	21	70	Lisbon	F	10	50	Rio de J'o	F	18	64	Warsaw	S	5	41
Cape Town	—	—	—	Locarno	C	9	48	Rome	S	13	55	Zurich	S	3	37
Caracas	—	—	—	London	C	5	41								
Casablanca	F	16	61	Los Angeles	C	23	73								
Copenhagen	—	—	—	Luxembourg	F	3	37								
Corfu	F	12	54	Madrid	F	10	50								
Dublin	C	5	41	Majorca	C	13	55								

Readings at mid-day yesterday:

C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Grundig-Philips move

Continued from Page 1

few weeks, or even months, need not represent a serious setback to plans.

● The long-term future of the V2000 video recorder system, developed and manufactured by Philips in association with Grundig, is now seriously in douht.

Grundig has announced that it is ready to begin selling VHS video recorders in Europe, perhaps before the end of this year. Philips and Grundig recently secured licensing rights from Japan to design and market their own VHS recorders.

A statement to the effect that sales would initially be made only outside Europe was qualified by a refusal to exclude subsequent sales within Europe. The industry has been waiting for the V2000 protective shield to crack.

Philips has not yet admitted that it will begin marketing the VHS system in Europe. An official said yesterday that that was under consideration, however.

The two companies are set to begin manufacturing their own style of VHS recorders this summer – Philips in Vienna and Grundig in Nuremberg. Promotion of these recorders in Europe would hit hard at V2000 sales, which, although technically highly regarded, is the main loser around the world to VHS.

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SECTION II – INTERNATIONAL COMPANIES
FINANCIAL TIMES
Wednesday March 14 1984

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Italian retailer advances strongly

By Alan Friedman in Milan

LA RINASCENTE, one of Italy's largest retailing groups, yesterday announced a 59 per cent leap in net profits to L51.1bn ($31.7m) for 1983.

The profits rise was helped by a significant improvement in the group's supermarket operations as well as its new fast-food business in Milan. Rinascente's 1983 turnover was up by 15.4 per cent at L1,814bn.

The retailing group, with 14 department stores and interests in supermarkets, do-it-yourself and fast food outlets, saw its share price close at L486 last night on the Milan bourse, compared with L385 at the end of January and a high of L490 late last month. The shares have been subject to profit-taking in recent days as rumours of good 1983 results leaked in the market.

The group's non-foods side registered an increase of 13.9 per cent in turnover, while supermarket revenues last year were nearly 20 per cent higher.

Also buoying the Rinascente share price have been rumours of a change in the ownership of a key stake. IFI, the Agnelli family's Fiat holding company which sold out a few years ago, is said to be negotiating a new purchase of shares

Terry Dodsworth looks at the anti-takeover shield around a U.S. entertainment major

Warner's defensive web snags Murdoch

WARNER Communications, the U.S. entertainments group, may be lying in a pool of red ink with its management assailed in the Fortune Magazine opinion polls as one of the least admired in the U.S. but Mr Steven Ross, the colourful chairman who put the company together in the first place, still knows how to wheel and deal with the best of them.

As the days go by it is becoming increasingly evident that the rumbustious $130m attempt launched by Mr Rupert Murdoch, the Australian publishing magnate, to prise away some of Warner's coveted assets has become deeply entangled in the protective web Mr Ross has spun around the company.

Mr Ross may have stored up more trouble for himself in the shape of Mr Herbert Siegel's Chris-Craft, the television and entertainment group, which has swapped shares with Warner in the manoeuvering to stop Mr Murdoch. But, so far, the share exchange has proved to be a deft defensive move, in the best traditions of U.S. anti-takeover strategy. Its effectiveness, indeed, is indicated by the ferocity of Mr Murdoch's as yet unsuccessful attempts to have it blocked.

Last week's decision by the Federal Communications Commission to allow the swap to go ahead may well presage the end of the Murdoch camp's moves to undermine the deal via the courts and the regulatory authorities.

It also means that if he tried to buy Warner lock stock and barrel he would need the FCC rule precluding foreigners from owning more than 25 per cent of broadcasting companies to be waived.

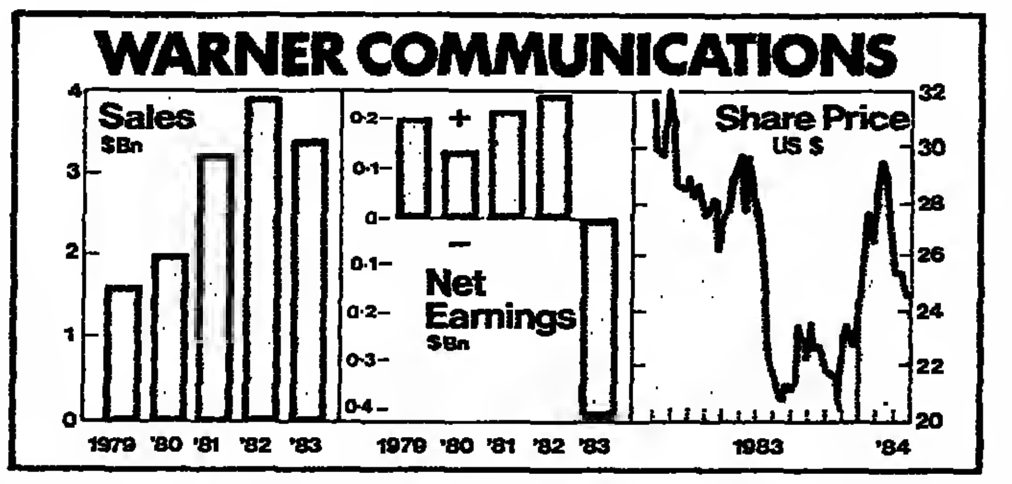
This is the third such decision to go in favour of Warner. The first, by the Federal Trade Commission (FCC), said that there was nothing in the anti-trust legislation to prevent the Chris-Craft agreement.

The second, in the Delaware courts where Warner is registered, rejected Mr Murdoch's claim that the agreement was not in the interests of shareholders; the judge observed that various estimotes could be made of the deal.

The FCC's decision is possibly the most important of the three, since it is the one on which the Murdoch side might have expected to make some ground.

Mr Murdoch had asked the commission, which regulates broadcasting in the U.S., to reject the share swap. He argued that it violated the regulations on the transfer of control in companies holding an FCC licence; that it contravened the rules on geographical ownership of both newspapers and television stations; and that it similarly broke the rules on owning cable TV and television networks in the same area.

The FCC agreed that in limited areas in Los Angeles and Oregon – Washington there was a conflict of interest between Warner's cable TV and Chris-Craft's television broadcasting status, and required 10 cable networks to be divested. But it rejected the transfer of ownership and it ruled out Mr Murdoch's argument thot Warner should not go ahead with the deal because his own stake in the company brought his newspaper publishing interests into conflict with Chris-Craft's television status. The FCC argued that his stake in Warner equity gives him only 1.7 per cent in Chris-Craft.



So where does Mr Murdoch go from here? First, there is still legal action outstanding in the Federal Court in Delaware, where News America, Mr Murdoch's U.S. subsidiary, has accused Warner of racketeering and fraud and Warner has counter-sued News Corporation (the Murdoch master company) for alleged violation of federal securities laws. These cases, so far confined to the deposition of documents, have produced some vitriolic language and sweeping accusations against Warner management's share dealings, but they are expected to take some time to complete.

Secondly, he could launch a tender offer, a move he has threatened either singly or with a partner. He is already believed to have canvassed several potential joint bidders. The problem here is the sheer size and difficulty of the deal. Control would cost at least $1bn, against Mr Murdoch's current investment of $130m, and would have to be achieved against a joint shareholding of about 30 per cent held by Chris-Craft and Warner management.

At the moment, Chris-Craft has 23 per cent of the voting stock (including preferred shares), but has said that it may buy up to 25 per cent, while Warner's management has 8.5 per cent. Mr Murdoch also holds about 8.5 per cent of the common equity, which dilutes to just under 7 per cent of the voting stock.

Even a move to winkle out the assets he wants (the film studio and library) without a tender offer looks extremely difficult. Any sale to holders of more than 10 per cent of the assets has to be agreed by 80 per cent of the shareholders. So he would probably need a majority holding before he could get his way.

Mr Murdoch's third alternative is to fight a proxy battle for boardroom control. The ground was prepared for this possibility when he asked Warner last month for a list of shareholders. This could presumably be used at the company's annual meeting this spring. And the Murdoch camp has made no secret of the fact that it has put together a file on Warner's management.

Only a few weeks ago, Mr Murdoch was accused of using journalists employed on his New York Post newspaper to collect evidence about Mr Ross while masquerading as reporters preparing a story. Whatever the truth about these allegations, a cursory glance at the documents filed in the Delaware Court shows that the Murdoch interests have accumulated plenty of mud about the opposition if they need to start throwing it at a shareholders' meeting.

A proxy battle, however, would also be difficult to push through to a conclusion. Under Warner's articles of Association directors' terms are staggered over three years. This year, five seats out of 14 are up for re-election, including Mr Ross's but the Murdoch group would have to capture around two-thirds of the non-committed shares to get control over the elections.

All in all, it looks as though Mr Murdoch is faced with an uphill struggle. According to associates, he continues to spend a large amount of his time on the battle, which seems to appeal to his combative nature. But he is aware of the odds. "I wasn't aware we were pulling off any coups at the moment," he remarked at a recent luncheon. "I thought I was in a jam."

Mexican losses hit Jewel's earnings

By Our Financial Staff

JEWEL COMPANIES, the U.S. supermarkets and drugstores group, has reported a 5.6 per cent fall in profits for the year ended January 31. That was due to a sharp decline at Aurrera, the largest private sector Mexican retailer, in which the group has a 36.1 per cent stake.

Jewel's equity interest in Aurrera fell from $23.9m to $11.8m because of the Mexican unit's lower earnings and the continuing devaluation of the peso.

The fall offset an 11 per cent rise in earnings from Jewel's U.S. operations and left fourth-quarter net earnings at $30.1m, or $2.41 a share, against $29.9m (also $2.41 a share).

For the year, earnings were $83m, or $6.36 a share, against $88.1m, or $6.82. Sales rose from $5.57bn to $5.72bn, of which $1.45bn ($1.39bn) came in the last quarter.

The company said its U.S. supermarkets maintained market position, but competition from discount food stores in the Chicago area affected earnings. Jewel has stepped up cost control and productivity efforts to counter-act a further spread of discounters expected this year.

In contrast, Associated Dry Goods, a leading U.S. department and discount stores operator, followed the trend set by most other stores groups by turning in a 47 per cent jump in net earnings for the year ended January 28 from $78.4m, or $4.31 a share, to $115.5m, or $5.95.

The fourth quarter showed a near 25 per cent advance from $64.5m, or $3.55 a share, to $80.4m, or $4.06. Sales rose from $1.1bn to $1.3bn, taking the full-year total to $3.7bn against $3.1bn.

Meanwhile, May Department Stores says it expects to report net profits for the year ended January 28 of around $187m or $6.48 a share, more than 30 per cent up on the previous year.

Credit General ahead by 25%

By Paul Cheeseright in Brussels

CREDIT General, established by Kredietbank, Belgium's major Flemish financial institution, to serve French-speaking Wallonia and Brussels, last year recorded net profits 25 per cent higher than 1982 at BFr 180.55m ($3m).

Following Société Générale de Banque and Banque Bruxelles Lambert as the third largest bank in francophone Belgium, Credit General drew in deposits last year of BFr 27.1bn, or 16 per cent more than in 1982.

Coming out of the lean banking years of 1980-82, when dividends were simply maintained at BFr 200, the bank for last year is paying shareholders BFr 105 net.

Norwegian banks boost income

BY FAY GJESTER IN OSLO

DEN NORSKE Creditbank (DnC) and Bergen Bank, two of Norway's leading commercial banks, have announced sharply increased profits for last year. Both left their dividends unchanged at 13 per cent, however.

Creditbank's operating profit before bad debt provisions and extraordinary items rose by 50.8 per cent last year to NKr 648.4m ($85.3m), representing a return of 1.84 per cent on average total assets. That was a marked improvement on the 1.38 per cent return achieved in 1982 and 1981.

Total assets at the end of 1983 were NKr 39.7bn, 13.7 per cent higher than in 1982.

DnC, Norway's largest bank, says it will seek to raise up to NKr 150m of fresh capital through a new share issue directed primarily at foreign investors. It must first, however, obtain permission from the Government to raise from 10 per cent to 20 per cent the proportion of its share capital that non-Norwegians may hold, since its foreign shareholder quota is now almost full.

Bergen Bank's 1983 operating profit, before loss write-offs, was its best ever. At NKr 410m, it was 80 per cent higher than a year earlier and amounted to 1.71 per cent of average total assets, compared with 1.17 per cent in 1982.

Net interest income, at NKr 835m, was more than NKr 200m up and improved to 3.49 per cent of average total assets from 2.91 per cent. Commissions and other operating income were 18 per cent up at NKr 310m, but earnings from foreign currency trading fell slightly to NKr 84m, from NKr 87m. Total assets rose by 13 per cent to NKr 25.5bn at end-1983.

Porsche reconsiders U.S. plan

BY JOHN DAVIES IN FRANKFURT

PORSCHE, the West German sports car maker, is considering making changes in its proposed independent U.S. distribution system, after objections from U.S. car dealers.

The company said yesterday that management would meet, possibly this week, to consider altering the plan.

Porsche caused a stir with its plan to quit at the end of August the joint distribution system it has shared with Volkswagen's Audi subsidiary in the U.S. since 1970.

Porsche proposes to end the franchise system and engage retail car dealers as agents. The dealers are angry at the potential competition from about 40 branches Porsche suggested creating.

Two wholesale dealers, who would be phased out, have lodged lawsuits in the U.S. claiming damages.

Porsche yesterday declined to comment on a report from the U.S. that it would abandon the creation of branches and retain the traditional franchise system.

PROFITS SURGE MAY SIGNAL MERGERS

A rich year for Danish banks

BY HILARY BARNES IN COPENHAGEN

DENMARK'S banks have never made as much money as they did in 1983, when even the laggards reported an after-tax return on equity of about 40 per cent and the best performer, the Jutland-based Jyske Bank, made a return of 97 per cent.

Paradoxically last year's enormous profits may be the starting signal for a wave of mergers in Danish banking, since a substantial chunk of last year's profits effectively represented earnings brought in from future years.

Competition between the banks has led to a considerable narrowing of the margin between the interest the banks pay on deposits and the rates they can earn on advances. As a result some banks may find their profits severely squeezed and may not be able to resist takeovers.

The steep increase in bank earnings last year was almost entirely a result of the increase in the value of bond and share portfolios. Under Danish bank accounting practice the difference between portfolio values from year to year is entered into the profit and loss account – although about 25 per cent of such earnings, from the shortening of maturities and the payment on redemptions, is in reality an operating profit.

Last year saw an unprecedented increase in bond and share prices as effective Danish interest rates fell from about 20 per cent at the end of 1982 to 13 per cent at the end of 1983. The Copenhagen share price index doubled in the same period.

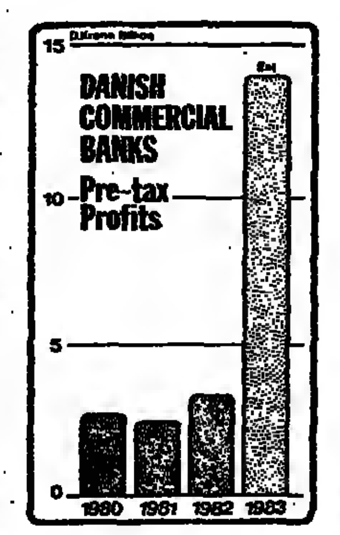
As a result the 80 commercial banks reported an increase in combined net profits totalling about DKr 16bn ($1.67m). This was roughly made up of a gain of DKr 15bn in portfolio values and a loss on other activities of DKr 1bn.

Privatbanken, the third largest commercial bank, and Jyske Bank reported portfolio gains which were considerably higher than their pre-tax profits. Danske Bank and Copenhagen Handelsbank, the two largest commercial banks, improved their operating earnings as well as their portfolio earnings.

Speculation that mergers are in the air has been nourished by Mr Ben Hansen, chief general manager of Copenhagen Handelsbank, who recently said he foresaw mergers between some of the biggest and the middle-sized banks. Both he and senior managements in other major banks deny that any merger negotiations are going on.

With about 80 banks and 150 savings banks to serve a population of just over 5m, there is obviously scope for rationalisation without reducing competition or customer choice.

The interesting point about Mr Hansen's remark was that he excluded the small banks from his prediction. The reason is that many of the smallest banks serve only local communities and have gone in for financial consolidation rather than balance sheet growth or attempts to expand their branch networks.



A case in point is the Skaelsoer Bank in south-west Zealand, which has a full-time staff of only 31, but a ratio of equity capital to deposits and guarantees of 20 per cent – 2½ times the legal minimum of 8 per cent which is itself the highest ratio in Europe.

Merger speculation, therefore, centres on some of the regional banks which did less well in 1983 than might have been expected, such as the Aarhus-based Provinsbanken which, with a balance sheet total of DKr 248bn, is the sixth largest commercial bank, and the mid-Jutland banks Midtbank and Aktivbank.

One factor which, it is argued, will make mergers desirable among the larger and medium-sized banks is the increasing importance of international business. This accounts for between 20 per cent and 35 per cent of the earnings of the larger Danish banks.

Some Danish bankers think that the international pressures may lead to mergers between some of the three or four biggest banks, creating a Danish parallel to the Skandinaviska-Enskilda merger in Sweden some years ago.

As one banker said, however: "It won't happen until necessity forces one of the banks to knuckle under" – and they are all in good shape at the moment.

Much will depend on how share and, more especially, the Danish bond markets develop over the next year or two. Most bankers feel that interest rates will probably stabilise this year or perhaps fall slightly, depending very much on international monetary developments. But if interest rates climb in 1984 or 1985, several banks might be forced to report losses.

Warrants AKZO 1983

The Trustee for the Warrants issued by AKZO N.V. in May 1983 announces in connection with the present rights issue of ordinary shares AKZO N.V. that, contrary to the provisions of paragraph 8.03 of the Trust Deed for the Warrants dated May 25, 1983, the warrant holders are given the opportunity to exercise their option to buy ordinary shares provided with the relative preferential subscription right until Friday, March 23, 1984 inclusive.

As the issue price of the new ordinary shares is above the exercise price of the 1983 warrants, this exercise price of Fl. 60,– will not be lowered as a result of the issue.

Amsterdam, March 13, 1984.

Nederlandsche Trust-Maatschappij N.V.

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The noteholders of the above mentioned Notes are hereby reminded that the deadline of the option for the exchange of above mentioned Notes for 13% ECU denominated Bonds of equal principal amount will be March 15, 1984.
Further details for such exchanges are contained in the terms and conditions of the Notes.

The Fiscal and Exchange Agent
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NEW ISSUE — 9th March, 1984

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Frustration for foreign bankers over stalemate in Thailand

BY CHRIS SHERWELL, RECENTLY IN BANGKOK

A LIVELY controversy over the establishment of new commercial banks in Thailand raises too many sensitive issues to suggest early resolution—to the increasing consternation of foreign bankers keen to establish or strengthen their presence in Bangkok.

On the surface, bureaucratic differences and unsettled technical matters are holding up e decision, which many believe will probably be positive. Both Gen Prem Tinsulanonda, the Prime Minister, and Mr Sommai Hoontrakool, the Finance Minister, are said to be broadly in favour.

Underneath, however, the matter has also stalled over the entrenched position of Thai-Chinese business interests and worries about possible underhand deals. As a result, it has thrown a shaft of light on the mysteries and complexities of Thai politics — in which decisions are widely seen to result from crisis and corruption as much as from balanced argument.

"This matter is extremely delicate. All kinds of interests are involved, and it will take time," says a government official. Says e foreign banker: "Extremely powerful forces are at work here. Even if the Government wants to move gingerly, there will be opposition from vested interests."

The formal position is that the Ministry of Finance is "seriously considering" a proposal from the Bank of Thailand for the establishment of new commercial banks.

For foreign banks wishing to join the 14 already operating under full licences, this is frustrating. Citibank, of the U.S., for example, recently sought to upgrade its presence by taking over one of the 14, Mercantile Bank, the UK-registered, Hong Kong-based subsidiary of Hongkong and Shanghai Banking Corporation. But the deadline for conclusion of the deal, already much extended, lapsed at the end of last year with approval from the Government simply failing to materialise.

Sir Lindsay Alexander, chairman of Lloyds Bank International, which also wants to set up in Bangkok, visited the Thai capital recently and was told there would be no decision for at least three months. Some Thais say this means indefinitely. One diplomat says the issue is so difficult it has been put into the "pending" tray.

Local interests also seem to be finding it tough going. Last November a group of businessmen and traders said they were going to apply for a second time to set up a new commercial bank, to be known as the Krung Siam Bank. There appears to have been no response.

Thailand has e total of 15 private, domestic, commercial banks and one state-owned. No new such bank has opened since 1965. The last foreign bank to open was the European Asian Bank in 1978, and while a number have opened representative offices with the aim of upgrading their status when they can, most have waited far longer than they expected.

Mr Sommai Hoontrakool (left), Thailand's Finance Minister, who, with General Prem Tinsulanonda, the Prime Minister, is said to be broadly in favour of the establishment of new commercial banks in the country

Having enjoyed healthy profits over the past two decades of Thailand's rapid economic growth, the established groups are in little mood to see greater competition, since it is intense enough now. They argue that they can do already what is needed of them, and do it better than any inexperienced new local group or foreign bank with no local knowleldge.

The furthest they go in acknowledging the need for change is to encourage the establishment of more long-term development banks, particularly to work with an investment institution like the Industrial Finance Corporation of Thailand. Bangkok is overbanked, they admit, with one third of all bank branches located in the capital, but more business is now being conducted in the country areas, they say.

Commercial banks in Thailand still play only a small role in agricultural financing (which is left to local moneylenders), concentrate most of their lending in the trade and service sectors, and channel loans on the outmoded basis of personal relationships, using an inefficient overdraft system rather than term loans.

Many analysts therefore question whether they can cope with the financing involved in the Eastern Seaboard industrial plan, for example, which is based on Thailand's natural gas resources and will cost billions over many years.

Moreover, the bulk of the banks' total assets and liabilities are concentrated in relatively few banks, the largest by far being Bangkok Bank. Ownership is also highly concentrated: in 1980, nine of the 10 Thai commercial banks each had less than 10 major shareholders controlling 50 per cent of its shares.

On this issue, the Bank of Thailand, the central bank, has taken a firm ettitude towards its much-extended deadline of March 8 for local commercial banks to diversify their share ownership. Last month, only about a third were said to have complied with the ruling that the banks should have at least 250 small shareholders, each owning not more than 0.25 per cent of total equity.

Plainly, e desire to break this stranglehold is behind the bid to intensify competition in the banking sector. But it means confronting a powerful allegiance of the Thai Chinese business interests which dominate manufacturing and banking with the traditional Thai bureaucratic elite of high-ranking military officers, senior civilian officials and certain politicians.

This partnership, many argue is the key to Thai politics and, on the economic front, has a decisive impact on inflows and outflows of capital.

Those in favour of enlarging the commercial banking sector want to prevent established banking interests, and Thai interests which might be fronts for Thai-Chinese, from simply exploiting any changes. That is why there has been talk of state participation in any new banks, of overseas Thai banks which would involve Thai interests abroad, and of introducing more foreign banks.

According to Thai bankers themselves, however, there is another important obstacle to change. "Consider the position of Finance Minister Sommai," says one. "If he decides to allow a new bank to set up, he'll be accused of receiving money —perhaps Baht 400m — for granting the licence. He can't afford that."

One suggestion is that this estimated backhander be paid openly to the Ministry of Finance as a kind of licence fee. A foreign banker is appalled by such e suggestion: "Nobody openly pays that kind of money anwhere for a licence —and certainly not for a desired place in Thailand."

Another suggestion for avoiding allegations of corrupt payments is that a bank makes a loan to Thailand of, say, US$100m at a zero margin above the London inter-bank offered rate of interest (Libor). To do so, says another banker, would be an open insult, both to Thailand and to the bank concerned, since it would be a clear admission that corruption exists.

Such ingenious proposals are just one more indication of the stalemate that can be reached over decisions in Thailand, as Ministers, Government departments and vested interests find themselves boxed into corners unable to move for the embarrassing climbdown it would entail. On the banking issue, as on so many, a period of enforced patience seems to be in order.

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The Notes, issued at 100 per cent., have been admitted to the Official List by the Council of The Stock Exchange, subject only to the issue of the temporary Global Note.

Interest is payable semi-annually in September and March, the first payment being made in September 1984.

Full particulars of the Notes and of the Kingdom are available in the Extel Statistical Service and full particulars of the Notes may be obtained during usual business hours (Saturdays excepted) up to and including 28th March, 1984 from the brokers to the issue:

Rowe & Pitman,
City-Gate House,
39/45 Finsbury Square,
London EC2A 1JA

Strauss, Turnbull & Co.,
3 Moorgate Place,
London EC2R 6HR

14th March, 1984

To the Holders of
FANUC LTD
3¾% Convertible Bonds 1998

NOTICE OF FREE DISTRIBUTION OF SHARES
AND
ADJUSTMENT OF CONVERSION PRICE

Pursuant to Clause 7 of the Trust Deed dated December 6, 1983 under which the above described Bonds were issued, you are hereby notified that a free distribution of Shares of our Company at the rate of 3 shares for each 10 shares held will be made to shareholders of record as of March 31, 1984.

As a result of such distribution, the Conversion Price at which Shares are issuable upon conversion of said Bonds will be adjusted pursuant to Condition 5(C) of the Bonds from 9,142.0 Japanese Yen to 7,032.3 Japanese Yen effective in Tokyo on April 1, 1984.

FANUC LTD

Dated: March 14, 1984

ASEA Aktiebolag
Västeras, Sweden

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Shareholders will be held in Västeras in the Prisma Cinema, Stora gatan 21 at 10.30 a.m. Friday, 23rd March, 1984.

ITEMS
The agenda will include:
1. Items stipulated in the Swedish Companies Act and the Articles of Association.
2. Decision in respect to a proposal by the Board of Directors that unrestricted Class A shares may be exchanged for Class B shares during a period to be decided by the Board of Directors.

PROXY
At the Meeting everyone entitled to vote may do so for the full number of shares he owns or for which he has the right to vote as the representative on behalf of the owner or owners.

NOTIFICATION
Shareholders wishing to participate in the Meeting must be recorded in the Share Register maintained by Värdepapperscentralen VPC AB (Swedish Securities Register Centre) no later than Tuesday, 13th March, 1984 and must also notify the Board of Directors, ASEA AB, S-721 83 Västeras, Sweden no later than 12 noon, Monday, 19th March, 1984.
Shareholders whose shares are held in trust by banks or other trustees must temporarily reregister the shares in their own names no later than Tuesday, 13th March, 1984, in order to be eligible to vote at the Annual General Meeting.

DIVIDEND PAYMENTS
The Board has proposed Wednesday, 28th March, 1984, as the record day for the dividend. If the proposal is approved by the Annual General Meeting, it is expected that the dividend payments will be mailed by VPC on Wednesday, 4th April, 1984.

Västeras, February, 1984. — By order of the Board

Weak loan demand stunts HK Bank

BY ROBERT COTTRELL IN HONG KONG

THE HongKong and Shanghai Banking Corporation has reported net profits of HK$2.49bn (US$319m) for 1983, up by 5.7 per cent from the HK$2.36bn reported for 1982. The bank's profits are declared after undisclosed transfers to secret reserves.

Yesterday's figures were below local expectations. Mr Michael Sandberg, the chairman, said loan demand was weak in Hong Kong during 1983 and the bank made further provisions against doubtful property-related lending in the colony.

HK Bank plans to increase its published equity by HK$2bn to be transferred to the balance sheet from inner reserves. Mr Sandberg said the group's total assets had grown significantly during 1983, partly due to the weakening of the HK dollar. The HK$2bn transfer was desirable in order to maintain the proportion of published shareholders' funds. The bank's issued share capital will be increased by a one-for-four scrip issue. At end-1982, published consolidated shareholders' funds stood at HK$15.6bn, including share capital of HK$5.2bn. Group deposits are expected to show a rise from HK$335.5bn at end-1982 to HK$411bn at end-1983.

The final dividend is 37 cents, making 55 cents for the year, an increase of 10 per cent, adjusted for a scrip issue last year. The board expects at least to maintain the dividend in 1984 on an adjusted basis.

Mr Sandberg said last October's linking of the HK dollar to the U.S. dollar helped local confidence, but further recovery, particularly in the property sector depends on a successful outcome to negotiations between Britain and China about Hong Kong's long-term future. Britain's lease over most of Hong Kong expires in 1997.

The chairman said profits of the parent bank were "flat" in 1983. Major subsidiaries which have already reported include Marine Midland of the U.S., and Hang Seng Bank of Hong Kong, both of which showed profits growth, while Wardley, the group's wholly-owned merchant banking subsidiary reported profits halved to HK$74.98m net in 1983.

Mr Sandberg said the group is considering rationalising its wholly-owned Mercantile Bank subsidiary, a process which may involve the sale of some of its operational assets—among the most important of which is a full Hong Kong banking licence. Mercantile Bank had shareholders' funds of £9.2m at year end 1982.

Promet up 76% despite oil rig slowdown

BY WONG SULONG IN KUALA LUMPUR

PROMET, THE Malaysian-Singapore marine engineering and construction group, has reported a 76 per cent increase in pre-tax profits to 115.5m ringgit (US$50m) for 1983 despite a slowdown in the oil rig business. Turnover rose by 22 per cent to 373m ringgit.

The company is to make a one-for-four scrip issue which will lift its paid-up capital to 335.7m ringgit, and the final dividend is increased to five cents from four cents.

Although there was a significant decline in orders for oil rigs, the Promet engineering yards both in Malaysia and Singapore had a successful year because of past orders. The group's construction activities remained buoyant and the once loss-making quarry on the Indonesian island of Karimum is now firmly profitable.

Tan Sri Ibrahim, Promet's chairman, said the group is confident of having another good year. The construction division has orders worth 500m ringgits over the next two years and these contracts would contribute significantly to group earnings. Promet's engineering yards would move away from building oil rigs to other areas of marine and steel fabrication.

The chairman said it was too early to be definitive about the group's most ambitious venture—an investment of over 200m ringgits—in oil exploration. Its 10 per cent participation in the Bohai Gulf of China with Elf Aquitaine proved to be a disappointment with the consortium hitting dry wells, but the group's 8.4 per cent stake in Block 26/29 in the Pearl River basin is encouraging.

Promet is also preparing for drilling work on its concession areas in East Malaysia and West Irian in Indonesia.

The Promet group is also the owner and co-ordinator of a U.S.$2bn tourist project on Langkawi Island in North West Malaysia. The first phase of the project, involving the building of an airport and general infrastructure will start in the second half of this year.

● Palmeo, Malaysia's biggest palm oil refiner, has reported pre-tax earnings of 2.3m ringgit up from 1.2m ringgit on turnover 21 per cent higher at 281m ringgit.

The low margins reflect gross over-capacity, high premiums for crude palm oil and keen overseas competition in the edible oils market. However, Palmco said the past six months had shown a gradual world recovery and it was confident of better results for the second half.

BASE LENDING RATES

A.B.N. Bank	9 %	■ Hambros Bank	9 %
Allied Irish Bank	9 %	Heritable & Gen. Trust	9 %
Amro Bank	9 %	■ Hill Samuel	§9 %
Henry Ansbacher	9 %	C. Hoare & Co.	†9 %
Armco Trust Ltd.	8½%	Hongkong & Shanghai	9 %
Associates Cap. Corp.	9½%	Kingsnorth Trust Ltd.	10 %
Banco de Bilbao	9 %	Knowsley & Co. Ltd.	9½%
Bank Hapoalim BM	9 %	Lloyds Bank	9 %
BCCI	9 %	Mallinhall Limited	9 %
Bank of Ireland	9 %	Edward Manson & Co.	10 %
Bank Leumi (UK) plc	9 %	Meghraj and Sons Ltd.	9 %
Bank of Cyprus	9 %	Midland Bank	9 %
Bank of India	9 %	■ Morgan Grenfell	9 %
Bank of Scotland	8½%	National Bk. of Kuwait	9 %
Banque Belge Ltd.	9 %	National Girobank	9 %
Banque du Rhone	10 %	National Westminster	9 %
Barclays Bank	8½%	Norwich Gen. Tst.	9 %
Beneficial Trust Ltd.	10 %	R. Raphael & Sons	9 %
Bremar Holdings Ltd.	9 %	P. S. Refson & Co.	9 %
Brit. Bank of Mid. East	9 %	Roxburghe Guarantee	9½%
■ Brown Shipley	9 %	Royal Trust Co. Canada	9 %
CL Bank Nederland	9 %	■ J. Henry Schroder Wagg	9 %
Canada Perm't Trust	10 %	Standard Chartered	‖9 %
Castle Court Trust Ltd.	9½%	Trade Dev. Bank	9 %
Cayzer Ltd.	9 %	TCB	9 %
Cedar Holdings	9 %	Trustee Savings Bank	9 %
■ Charterhouse Japhet	9 %	United Bank of Kuwait	9 %
Choulartons	10½%	United Mizrahi Bank	9 %
Citibank Savings	¶10½%	Volkskas Intl. Ltd.	9 %
Clydesdale Bank	9 %	Westpac Banking Corp	9 %
C. E. Coates	9½%	Whiteaway Laidlaw	9½%
Comm. Bk. of N. East	9 %	Williams & Glyn's	9 %
Consolidated Credits	9 %	Wintrust Secs. Ltd.	9 %
Co-operative Bank	*9 %	Yorkshire Bank	9 %
The Cyprus Popular Bk.	9 %		
Dunbar & Co. Ltd.	9 %		
Duncan Lawrie	8½%		
E. T. Trust	9½%		
Exeter Trust Ltd.	10 %		
First Nat. Fin. Corp.	11 %		
First Nat. Secs. Ltd.	10½%		
Robert Fraser	10 %		
Grindlays Bank	‡9 %		
■ Guinness Mahon	9 %		

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* 7-day deposits 5.5%, 1-month 5%. Fixed rate 12 months £2,500 9% £25,000, 12 months 9.5%.
† 7-day deposits on sums of: under £10,000 6¾%, £10,000 up to £50,000 6¾%, £50,000 and over 7¼%.
‡ Call deposits £1,000 and over 6¼%.
§ 21-day deposits over £1,000 6¼%.
‖ Demand deposits 5¼%.
¶ Mortgage base rate.

Egyptian banks may face tighter controls

BY CHARLES RICHARD IN CAIRO

THE PEOPLE'S Assembly, the Egyptian Parliament, is to debate draft legislation which would allow the central bank (the CBE) to impose progressive penalties on banks violating its regulations. The CBE would also be empowered to put in its own personnel to stiffen a bank's management.

At present, the CBE has no powers to discipline the 74 banks operating in Egypt, short of withdrawing a bank's licence to operate.

The new moves to strengthen the CBE have been provoked by the difficulties of Pyramids Bank (formerly Al Ahram Bank), an institution wholly owned by Egyptians working in Kuwait.

Bankers say that Pyramids and two other banks, Faisal Islamic Bank and Egyptian Arab African Bank (EAAB), were caught over loans made up to August 1983 to Mr Sami Ali Hassan, a well-known money changer and trader. In September 1983, the Government issued a circular to all banks dealing with Egyptian currency—including joint venture banks under Law 43—instructing them not to deal with Mr Hassan.

The banks sought and obtained collateral for their loans in the form of post-dated cheques, issued and certified by the Jammal Trust Bank, a Beirut-registered bank with capital of E£50m ($9.2m) whose shareholders are Mr Ali Jammal and his family.

Jammal Trust is refusing to honour the cheques on the grounds that they were forgeries signed by an unauthorised signatory who has since left the bank. The irregularities came to light when external auditors discovered no record of the cheques in Jammal's accounts. Jammal has now installed new management in its Cairo branch.

Jammal Trust argues that the banks should not have accepted the cheques, since the CBE regulations forbid their use to guarantee loans.

Bankers say that up to $30m-$40m may be involved among the different banks. Faisal Islamic and EAAB both have the resources to cover their losses, but Pyramids is still taking steps to raise the capital to cover its losses, estimated at up to $10m in dollar and sterling cheques.

The central bank has been trying to smooth over the mess by urging the banks to sort out the problem themselves, rather than provoke undesirable publicity in the courts that could have serious repercussions in the banking community.

Pyramids is now considering whether and when to present the first cheque, which fell due a few days ago. If Jammal Trust refuses to honour the cheques—as it says it will—Pyramids says it will challenge Jammal Trust in court on the grounds that the cheques are the equivalent of cashier's drafts, and will argue that Jammal will be in technical default.

Bankers attribute the trouble to poor management and to the inherent contradictions of Egypt's foreign exchange system. Importers may import goods without changing their funds through the banking system and without declaring the source of their hard currency. On the other hand exchanging money on the black market is illegal.

The 40 per cent premium of the dollar on the free market over the official rate has spawned currency speculators, and the Government is considering legislation which will attract more remittances of workers abroad through the legal channels.

Fuqua Overseas Finance N.V.
U.S. $50,000,000
Guaranteed Floating Rate Notes due 1987
Unconditionally guaranteed as to payment of principal and interest by
Fuqua Industries, Inc.
In accordance with the provisions of the Notes, notice is hereby given that for the six months period 14th March, 1984 to 14th September, 1984 the Notes will carry a Rate of Interest of 11⅜% per annum with a coupon amount of U.S.$290.69
Agent Bank
Chemical Bank International Limited

Dr Pepper

Dr Pepper Company

has been merged with a newly-formed corporation organized by

Forstmann Little & Co.

The undersigned assisted in the negotiation of this transaction and acted as financial advisor to Dr Pepper Company in connection therewith.

LAZARD FRÈRES & Co.

March 7, 1984

The First International Bank of Israel Ltd.

Incorporated in Israel with Limited Liability.

Head Office: Shalom Mayer Tower
9 Ahad Ha'am Street, Tel-Aviv, Israel
Telephone: 636111 Telex: 341252

90 branches throughout Israel
UK Representative Office: 2 London Wall Buildings, London EC2M 5PP Telephone: 01-628 9765

Profit after tax for 1983
US $34 million

Condensed Consolidated Statement of Condition as at 31 December, 1983 in US Dollars*

Liabilities		Assets	
Deposits	1,245,398,000	Cash and due from Banks	531,885,000
Government, Banks and Other Deposits for Granting of Loans	477,931,000	Securities, including Government Bonds	221,099,000
Other Accounts	22,048,000	Deposits with and Loans to the Israel Government	293,576,000
Debentures	89,091,000	Loans and Bills Discounted	352,937,000
		Loans out of Deposits for Granting Loans	468,201,000
		Other Accounts	21,188,000
		Bank Premises, Equipment and Other Property	11,347,000
Total Liabilities:	1,834,468,000		
Capital Accounts			
Capital Stock, Reserves and Surplus	59,154,000		
Deferred Convertible Capital Notes	213,000		
Minority Interest	6,398,000		
Total Capital Accounts:	65,765,000		
Total Liabilities and Capital Accounts:	1,900,233,000	Total Assets:	1,900,233,000

Condensed Consolidated Statement of Income Year to 31 December, 1983 in US Dollars*

Net Operating Income from ordinary operations before taxation	45,760,000
Provision for taxation	8,950,000
	36,810,000
Minority Interest in Ordinary Income	(3,987,000)
Extraordinary Income	1,270,000
Net Income:	34,093,000

* *This Condensed Statement has been arithmetically translated from Israel Shekels into US Dollars at the exchange rate prevailing on 31 December, 1983, IS 107.77 = US $1.00, for the convenience of the reader.*

FIBI Financial Trust Limited
(a wholly-owned subsidiary of The First International Bank of Israel Ltd.)
2 London Wall Buildings, London EC2M 5PP
Telephone: 01-628 9765 Telex: 8956815

Year to 31 December, 1983	£
Profit after tax	200,276
Share Capital and Reserves	3,410,800
Deposits	21,750,000

Audited Accounts available on request

FIBI Bank (Switzerland) Limited
(a wholly-owned subsidiary of The First International Bank of Israel Ltd.)
46 Bahnhofstrasse, Zurich, Switzerland
Telephone: 2110044

Paid up Capital S.F. 10,000,000

This announcement appears as a matter of record only.

SWEDBANK
DOMESTIC NAME SPARBANKERNAS BANK

U.S. $100,000,000

Standby Revolving Underwriting Facility
with
U.S. Commercial Paper
Swing Line Option
for the issuance of
Certificates of Deposit

Arranged by
Merrill Lynch Capital Markets
FennoScandia Limited

Lead-Managing Underwriter
Irving Trust Company

Managing Underwriters

Bank of China	The First National Bank of Chicago
Lloyds Bank International Limited	Manufacturers Hanover Limited
Midland Bank International	Mitsui Finance Europe Limited
Sanwa Bank Merchant Banking Group	Union Bank of Switzerland

Placing Agent for the Certificates of Deposit
Merrill Lynch Capital Markets

February 1984

UK COMPANY NEWS

LASMO earnings fall to £25m but dividend raised

NET PROFITS of London & Scottish Marine Oil dropped from a restated £28.3m to £24.9m in 1983. Turnover of this oil and gas exploration and development group fell from £240.9m to £215.5m.

Earnings per 25p share were down from 36.7p to 26.9p, but the net dividend is raised by 0.5p to 11.5p—on capital increased by the £44m rights issue last March—with a higher final of 7p (6.5p).

Gross profits for the year declined from £138.3m to £114m, after deducting royalties of £21m (£22.9m), operating costs of £28.2m (£31.7m) and £52.3m (£48m) amortisation.

Administration expenses took £5.6m (£5m) and the share of related companies' losses increased from £1.6m to £1.8m.

Pre-tax profits came through £23.7m lower at £89.9m, after debiting interest payable and similar charges of £29.3m (£24.9m) and Oil Production Stock payments of £8.4m (£10.7m), but crediting interest received and similar income of £18.8m (£17m).

Tax decreased from £85.3m to £65m. The charge comprised £49.3m (£87m) for petroleum revenue tax and supplementary petroleum duty, UK corporation tax of £14.5m (£2.5m credit) and other tax £1.2m (£0.8m). An amount of £13.4m (£20.2m) was set aside to reserves.

A new accounting policy for dealing with oil and gas assets has been adopted, which amortises all capital expenditure on a unit of production basis. This new policy has been applied to previous years and retained profits have been reduced by £17.7m.

The estimated payment in respect of Oil Production Stock units for the six months to December 31, 1983 is 45p making 112.3p for the year as a whole.

The payment to OPS holders for the second half of 1983 is approximately 33 per cent lower than that made in October, 1983. The directors explain that this is due mainly to the downward redetermination of the company's shares of Ninian production.

Net production of oil and liquid petroleum gas was 33,040 barrels per day (32,750 bpd) and 19.2m cubic feet per day (20m cfpd) of gas. Total production for 1983 came to 36,460 barrels of oil equivalent per day (36,330 boepd).

Forecasts for 1984 indicate that sales and production available to Lasmo will continue at approximately the same level. Prices available to the company from its gas production are likely to show a modest increase during 1984 and prospects for stable oil and gas prices now appear more favourable than a year ago, the directors state.

Capital expenditure planned to rise 30%

They report that the company's cash position is strong. Cash generated from operations should be more than adequate to fund the aggressive programme planned for 1984.

During the current year the directors anticipate that capital expenditure will amount to approximately £90m, spread equally between production/development and exploration/appraisal. This represents an increase of some 30 per cent over the 1983 level.

Prospects for additional production and reserves are good. During 1984, production will start from the Lalang field, in Indonesia, together with a higher output from the Beatrice field in the UK and new discoveries in Canada and the U.S.

Development approval of the P/15 oilfield offshore the Netherlands is awaited and a decision on the development of the Tiffany oilfield and the Audrey gas discovery in the UK sector of the North Sea should be taken this year.

In Indonesia, development of the Lalang field has progressed satisfactorily and first production from that field is expected in June 1984.

The appraisal of the Mengkapan field should lead to the commencement of its development in 1984 with production in 1986 and the Kakap KH field, currently under development, should also come into production in 1986.

In the North Sea a further extension of the Beatrice field was established and following new development work, higher production is expected from this field in 1984.

The successful appraisal of two oil fields, Joanne and Tiffany, brings these closer to the development stage and the recent appraisal of the Audrey prospect should lead to the company's next developed gas field.

The delineation of the P/15 oil field and the appraisal of gas exploration discoveries in the Netherlands offshore are also very encouraging.

Gas reserves in the U.S. have increased dramatically and Lasmo's new company in Canada is already producing oil as a result of its 1983 drilling programme.

● comment

The second half proved to be another flat trading period for LASMO. Production for the year was roughly static, but net income fell by 10 per cent to £216m due to marginally lower sales prices and a build-up in stocks towards the year-end. Meanwhile, a higher than expected corporation tax provision left after-tax profits down by 12 per cent to £25m. A change in accounting policy to account for exploration write-downs in the year in which they occur has blurred previous year comparisons and taken £17.7m out of retained profits. Within that, however, Lasmo's production profile is beginning to change. Ninian's output has fallen from 90 per cent to 70 per cent of the total, and production from Beatrice and the Indonesian properties has taken up the slack. The current year's £90m capital spending programme, half of which will be devoted to exploration, will be funded entirely from cash flow and is aimed at further broadening the revenue base. The shares slipped 3p to 301p.

Sir Lawrie Barratt, chairman of Barratt Developments, seen at his company's Hampstead project. The rapid profit growth has come to a stop in the first half of the current year

Midway setback for Barratt—profit at £19m

A HALT to the rapid profit expansion of recent years has come to Barratt Developments in the half-year ended December 31 1983. At the pre-tax level profits have fallen from £20.74m to £19.06m.

Sir Lawrie Barratt, chairman of Britain's largest private housebuilder, says the number of legal completions at 7,700 showed a small decline in the UK, but an increase in the U.S. compared with the 1982 period. Some disappointment was experienced with new sales, with current land shortages and the resultant price escalation threatening to become a major constraint on the demand for home ownership.

Turnover for the period advanced from £220.43m to £239.37m. After tax of £7.57m (£7.69m) the net profit came out at £11.5m, compared with £13.05m. The interim dividend is raised to 2.31p (equivalent 2.1p) at a net cost of £4.11m (£3.73m). For the whole of the year ended June 30 1983 the group made a profit before tax of £52.2m and paid a total dividend equal to 7.41p.

The scale of the group's commitment to inner City renewal continues to increase, "as experience proves that our original confidence in the future of this sector was well founded," Sir Lawrie states.

In California, the policy of providing much needed affordable housing is gaining momentum. While the profit contribution showed an increase, margins remain under some pressure, but further progress was made in terms of the number of houses built and sold.

The controlled expansion of the property investment portfolio continues with the market for new industrial and commercial property showing some improvement.

Leisure property interests have recently been increased by the acquisition of Foxhills Golf and Country Club, Surrey, in line with continuing expansion.

● comment

The problem with Barratt is one of deciding how far this year's difficulties are attributable to short-term factors, and how much is more basic. The "World in Action" programme on timber-frame housing made a nasty dent in sales in the first quarter, and the forthcoming programme on resale difficulties faced by first-time buyers (who account for three-quarters of Barratt's UK sales) will presumably not help matters. Soaring land prices, in the South East especially, have squeezed margins, and UK completions are in any case 500 units lower, at 7,000, than they were in last year's first half. The U.S. subsidiary did better, with 700 completions against 500 last year, and the U.S. contribution rose by £1m to £1.3m. Both property and time-sharing also did better, leaving the dominant UK housebuilding business responsible for all of the shortfall. It looks as if Barratt will have to work hard to beat last year's £52.2m, though the 1 per cent cut in stamp duty the shares fell a further 10p yesterday, to 152p.

Greenfields dives £0.15m into the red

LOSSES OF over £0.2m in the second half left Greenfields Leisure with a pre-tax deficit of £153,000 for the year to October 31 1983, as against £536,000 profit previously. Turnover of this retailer and wholesaler of leisurewear and camping equipment fell from £21.47m to £19.23m.

Following the unchanged interim dividend — midyear profits showed a modest rise to £54,000 (£50,000)—the final payment is halved at 0.5p net, making a total of 0.75p (1.25p) per 10p share. Loss per share was 0.98p (2.6p earnings).

The directors blame the disappointing result on the recession, an abnormally wet spring and the late arrival of good summer weather adversely affecting the sale of seasonable goods.

However, they view the future with optimism and confidence.

The introduction of non-seasonal merchandise has greatly increased the volume of customers who are proving receptive to the more varied choice of stock and the new "trading up" leisurewear concept.

The whole division continues to operate profitably and once again, property transactions are expected to contribute significantly to group results.

At the trading level, the group made reduced profits of £1.18m, against £2.13m, which were offset by interest charges of £720,000 (£980,000) and depreciation of £610,000 (£617,000). After a tax credit of £136,000 (£169,000 charge) the net loss was £15,000, against £367,000 profits.

● comment

Greenfields Leisure has taken a long time to decide where it wants to go and how to climb out of the recession. Hard pressed shareholders will be forgiven if they are cautious about the board's optimistic view of the future. The pre-tax figure to October was disappointing even allowing for the inclement weather, particularly as the loss is flattered by property profits of £686,000. However, the board reports a very much improved customer flow in the first four months of the current year, up by around 50 per cent, due to a changed policy to move back up market. Greenfield's decision to go for cut-price toiletries and other goods seriously eroded margins. Now they are bringing in sports and leisure clothes and a wider range of jeans, which appears to be catching the shopper's attention. With the shares down 2p to 31p shareholders can probably do no better than to hang on a little longer and see if the company really does begin to get it right in the current year. Meanwhile, the dividend of 0.75p, down from 1.25p net, yields 3.5 per cent.

VISION

Keeping one step ahead is not enough in a fast changing economy. We plan for the future on the basis of proven management skills applied to a broadening product base

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Stanley Gibbons to make its mark on USM

By Alison Hogan

Stanley Gibbons, the world's oldest stamp dealer, will be making its mark at the end of the month when it comes to the Unlisted Securities Market by way of a placing by brokers Simon & Coates.

The 126-year-old business lost its way a few years ago and has found itself moving in and out of private hands. After 10 years as a public company it was bought by Letraset in 1979 which in its turn was taken over by the Swedish company Esselte.

Under Letraset's ownership, the Stanley Gibbons management watched record £2.2m profits turn into losses of £4.2m as Letraset pushed the stamp business into new areas such as antique maps, medals and coins, and opened a New York office.

Soon after Esselte moved in Stanley Gibbons was put on the market. Its management, led by Mr David Stokes, decided it was time to "save the business" and they arranged a management buy-out which was completed in June 1982 at a cost of around £10m.

They decided to stick to philately, the business which Stanley Gibbons is best known for, preserving its renowned rare stamp business and by moving into popular post-World War II collections.

A successful publications business was developed selling catalogues and other books on stamps.

Stanley Gibbons is based in the Strand in London, where stamps can be bought over the counter, and in Ringwood, in the New Forest, Hampshire, where new issues and special promotions, such as the Royal Wedding, are handled.

The company produced pre-tax profits of £900,000 in the year to June 1983 and is forecasting £1.1m for the year to next June.

The business has a current mailing list of some 200,000 collectors out of a potential market of around 4m in the UK, and has operations in five overseas countries.

Stamp collecting is increasing in popularity and Stanley Gibson intends to increase its share of the growing market.

Jackson waits on aircraft upturn

Mr P. J. White, chairman of J. and H. B. Jackson, the metal merchant, forger and engineer, says the group will not show any substantial headway until there is an improvement in demand for aircraft forgings. In previous cycles this has usually materialised some 12 to 18 months after a general upturn in the economy; if this is repeated it will be possible to look forward to 1985 with more confidence.

He is reasonably confident that the engineering division will show an improvement in profitability, but on the forging side it is difficult to be optimistic regarding profits for this year.

In the year 1982-83 trading profit came to £1.18m (£1.87m), there was a £1.81m (£626,000) surplus on the disposal of fixed assets investments, and investment income amounted to £890,000 (£779,000).

Clondalkin ahead

Pre-tax profits of the Clondalkin Group, which is principally engaged in packaging manufacture and printing, rose from I£1.37m to I£2.49m for 1983 and the dividend total is being lifted by 3p to 9.25p net per 25p share by an increased final of 6.5p.

Turnover for the year totalled £40.62m (£37.52m). The sustained programme to curtail costs and raise efficiency yielded higher profits and "will continue to do so."

Exceptional debits accounted for £469,000 (£400,000) and interest charges £211,000 (£197,000).

Yearlings down

The interest rate for this week's issue of local authority bonds is 9 7/8 per cent, down 1/8 from last week, and compares with 9 3/4 a year ago. The bonds are issued at par and are redeemable on March 20, 1985.

A full list of issues will be published in tomorrow's edition.

LADBROKE INDEX
Based on FT Index
857-861 (+15)
Tel: 01-493 5261

Brewmaker tops forecast and decides on dividend

HAVING BEATEN its prospectus profit forecast by some £22,000 for the 13 months ended January 31, 1984, Brewmaker has decided to pay a final dividend, and this will be 0.4p net. The profit before tax came to £522,367, against £304,422 in the year 1982.

The company's shares were offered for sale on the USM in November 1983. The directors say the dividend should not be taken as indicative of future policy, rather it represents their awareness of the future requirements to achieve a return on capital, albeit that the new capital was only subscribed for a relatively short time during the last financial period.

It is intended to pay an interim dividend in October and a final in May for the financial period ending January 31, 1985.

In the 13 months turnover was ahead from £4.18m to £6.52m. After tax of £193,792 (£150,888) the net balance came to £428,575 (£153,534) for earnings of 2.71p (1p) per share. Cost of the dividend is £23,907 after a waiver by Mr Colin Sanders (chairman and managing director) and Mrs Sanders in respect of 66 per cent of the capital.

As regards the current year, the directors feel it is too early to comment but say there are signs of continuing growth. They are examining the possibility of acquiring similar businesses in home brew and home wine making, thereby "taking advantage of the group's healthy liquid position."

● comment

Brewmaker's figures are more or less what investors should have expected. The important point now is the possible acquisitions the company briefly mentions. Brewmaker is talking to three companies. Its own business is roughly broken down into three areas: soft drink concentrates (like Sodastream without the home making drinks machine) and traditional wine and beer kits. The latter two are basically selling operations with no manufacturing back-up but giving it 15 per cent of the UK market. One possible acquisition is a company making the soda injection machines for home use. The next one will be a supplier of drink kits, probably doubling Brewmaker's market size, and giving the company an entry into the important Boots / Woolworth market — as yet untouched by Brewmaker despite their dominance. Acquisition aside anything less than £750,000 pre-tax would be disappointing given market growth of 15 to 20 per cent, even if margins are under pressure following the greater involvement with supermarkets. At 36p this gives a market capitalisation of £6.3m.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Barratt Devs. ......int.	2.31	May 25	2.1*	—	7.41
Brewmaker	‡0.4	—	—	0.4	—
Clondalkin	‖6.5	June 8	3.75	9.25	6.25
De Beers	¶27.5	Apr. 2	25	40	37.5
S.W. Farmer	6.65	July 2	6.65	9.75	9.75
Garfunkels	†1.39	—	—	2.25	1
Greenfields Leisure ...	0.5	—	1	0.75	1.25
Lasmo	†7	May 18	6.5	11.5	11
Refuge Assce.	13	—	11.75	20	16.75

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ South African cents throughout. ‖ Irish currency throughout.

Refuge rises and lifts total payout

Profits after tax of Refuge Assurance rose by £977,000 to £5.11m over the 1983 year, and the group is lifting its dividend by 3.25p to 20p net per 5p share by an increased final payment of 13p.

The contribution to profit and loss by the company's large industrial branch rose from £2.31m to £2.68m. The ordinary branch contributed £325,000 more at £1.95m.

The fire and accident branch maintained its contribution at £50,000 but losses at the linked-life subsidiary company, Refuge Investments, were cut from £89,000 to £8,000.

Premium income of the group's branches for the year shows: industrial £59.17m (£55.75m), ordinary £27.04m (£24.99m), fire and accident £9.43m (£9.3m) and Refuge Investments £4.49m (£1.42m).

Higgs and Hill

Acceptances have been received in respect of 90 per cent of the 2,242,424 new ordinary shares offered by Higgs and Hill via a rights at 275p per share. The new shares not taken up have been sold at a premium of approximately 42.6p per share over the subscription price.

Plastic Constructions

Mr Henry Aron, chairman of Plastics Constructions, told the annual meeting that further improvements in trading could be looked for this year.

Turnover for the first five months continued to show "a marked increase" over the same period last year.

Systems Reliability

The offer for sale of shares in Systems Reliability, maker of telephone monitoring equipment, was heavily oversubscribed. The basis of allocation is to be announced today.

HongkongBank

The Hongkong and Shanghai Banking Corporation

Incorporated in Hong Kong with limited liability

Ordinary Yearly General Meeting

Notice is hereby given that the Ordinary Yearly General Meeting of the shareholders of the Bank will be held in the City Hall, Hong Kong, at 2.30 pm on Tuesday 8 May 1984 to transact the following ordinary business:

1 to receive and consider the Profit and Loss Account, the Balance Sheet and the Reports of the Directors and of the Auditors for the year ended 31 December 1983 and to declare a final dividend;

2 to elect Directors; and

3 to appoint Auditors and fix their remuneration

and to consider and (if thought fit) pass the following Ordinary Resolutions by way of special business:

4 That:

(a) it is desirable to capitalise the sum of HK$1,429,933,610 from the reserves of the Bank and that accordingly the said sum be capitalised and applied in payment in full for 571,973,444 unissued shares of the Bank of HK$2.50 each;

(b) such new shares, credited as paid-up, be distributed among the shareholders who on 8 May 1984 were registered shareholders of the Bank in the proportion of one new share for every four shares then held by them;

(c) such new shares shall in all respects rank *pari passu* with the existing shares of the Bank, except that they shall not rank for dividends for the year ended 31 December 1983; and

(d) the Board be and is hereby authorised to allot and issue such new shares for distribution in the manner and proportion aforesaid, but so that shares representing fractions shall be sold and the net proceeds retained for the benefit of the Bank.

5 That a general mandate be and is hereby unconditionally given to the Directors to issue and dispose of additional shares not exceeding three *per cent* of the issued share capital of the Bank.

By Order of the Board
F R Frame
Secretary

Hong Kong, 13 March 1984

UK COMPANY NEWS

S.W. Farmer down £0.4m but some recovery is seen

S. W. Farmer Group, manufacturer of structural steelwork and platework, returned pre-tax profits of £529,000 for 1983, a downturn of £385,000 on the figures of the previous year.

In a statement with the results Mr Brian Farmer, the chairman, says the full-year outturn reflects the pattern that was established in the first six months—profits for this period fell by £202,000 to £255,000.

He tells shareholders that a reduced trading volume still enabled the group to maintain a "modest" profit despite the continuance of real difficulty in trading conditions.

Turnover for the 12 months fell from £24.7m to £15.82m. Mr Farmer explains that this was partially due to lower volume but also to lesser added value. He adds that the profits were far less than the group is capable of achieving in more favourable conditions.

The increased volume of activity that was noted in September has come about in several sectors of group operations and "strenuous efforts are being made to bring about improved trading all round."

Earnings for 1983 on a normal tax charge emerged well down at 8.19p (21.82p) per 25p share but a same-again final dividend holds the total at 9.75p net.

Operating costs were reduced to £14.98m (£23.79m). Associates' share of profits was down from £7,000 to £3,000.

No tax was payable (£274,000) on the profits due to substantial claims for capital allowance and stock relief but an equalisation provision of £289,000 (£89,000) was made. There was also a £34,000 (nil) charge for under-provision in the previous year.

Extraordinary debits of £70,000 (£4,000 credits) left available profits at £136,000, compared with £555,000, from which dividend payments will again absorb £246,000.

There was a transfer from reserves of £110,000 — last year £309,000 was transferred to reserves.

The group's financial base remains "strong" and the directors intend to rebuild its cash balances during the year.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims:—J. Jarvis, Lawtex, George H. Scholes, Trafford Park Estates.

Finals:—BTR, Cement-Roadstone, Federated Housing, Guest Keen and Nettlefolds, J. Hewitt (Fenton), Horizon Travel, Kean and Scott, Promotions House, Rowntree Mackintosh, Schroders, Swedish Match, Ultramar.

FUTURE DATES

Interims:—	
Burton	March 20
Minerals Oils and Resources Shares Fund	March 20
Sirdar	March 21
Finals:—	
Babcock International	March 28
Bestobell	March 21
Bronx Engineering	March 22
Central Independent TV	March 22
Croda International	March 29
Freemans	March 26
Joseph (Leopold) Sterlg Fnd	March 19
Manders	March 22
Matthews (Bernard)	March 29
Noble and Lund	March 22
Page (Michael) Partnership	March 19
Smith and Nephew	March 20
Stockhldrs Far East Invests	March 20
Television Svcs International	March 16

Garfunkels surges to £0.76m.

INCREASED profits from existing outlets and the opening of 10 further restaurants during the year have boosted the figures of Garfunkels Restaurants, the West London chain. The company announces profits before tax of £757,000 for the year ended January 1 1984, more than doubled from their previous year's £321,000.

A final dividend of 1.39p per 10p share will be paid, making a total for the year of 2.25p, against 1p. The directors have waived their entitlement to dividends worth £37,368; they propose a 1-for-1 scrip issue.

Turnover of this USM group was sharply up from £3.41m to £6.78m. It announces its intention to continue expansion, and the directors anticipate that 1984 will be another good year for the group."

Garfunkels has purchased the Egg Nest, a company whose main asset is the lease of premises in West London. The sale was valued at £115,000, for which the vendor has been satisfied by the issue of 62,841 ordinary Garfunkels shares.

A further four premises have been acquired by the company, one of which is already trading. The remaining three are expected to open during the next two months, bringing the group's total number of restaurants in London's West End to 15.

After tax of £29,000 (£10,000), an extraordinary debit of £3,000 (nil) and minorities £2,000 (nil), there is an available profit of £723,000 (£311,000). Earnings per share, after adjustment for the rights issue in 1983, stand at 16.1p (92.2p).

97 companies are wound up

COMPULSORY winding up orders against 97 companies were made by Mr Justice Mervyn Davies in the High Court. They were:

Hatchlord Financial Services, Saville Murch and Associates, Cantor Motors, D.H.J. Estimating Services, Inter-Estate Properties.

Polebrook, Favell Cars, Barnet Light, Carnwheel Buildings, George Bell (Electrical Contractors).

A.D.B. Video Services, N.T.G. Engineering (1981), Rivers & Keough, Dobsons Fibres, A To B Freight.

Toll Bar Garage (Grindleford), South Norwood Hill Flats Developments, Stoke Carseats, Boutcrest.

Picture Power, Pavilion Properties, Regatta Cars, Staphurst Properties, 65 Cloucester Place, Shillingsworth, Croppath, Freemantle Packaging, Chantagrade, Addport.

Nenebond, Ragpower, Adelma (UK), Jasmin Projects, Mainpole, Oatenland, Oregale, Padseal.

Scarptree, Vaycroft, Roomguard, Clientcourt, Senco Distribution, Wemmar, Macmillion.

Chintzbond, Macauley Wells, Northumberland Grand, Treypam, Gracedean, Australian Express.

West Sussex Tyre Service, Magnum Advertising, Awardfame, Dip 'N' Strip (UK), Oakleigh Enterprises, Llangan Livestock.

W.K.L.G. Artist Management, I.B.C., Winningcroft, C M A Group Services, Di-Med Associates, The Good Food Shop and Restaurant.

Abury Bottling Company, I.F.A. (Air Service), S.R.T. International, Danwin, Global Associates Corporation, Regal Publishing, Bernard F. Warden.

Southdown Service Station (Felpham), Paul Razy, Woodgreen Tailors, Tropical Pride (Joltway), Heathrow Air Cargo, S.M. Gates and Co.

Crescent Designs, R and B Communications (S.W.), Agro-Industry Trading, Gerald Joseph Photographic Services, Loxcone Builders, S.V.L. Timber.

Polarspire, Porrester Paper Products, A.C.G. Tyres, Kitbarns, Orangeglen, George V, Blue Sky Music.

Fallon Aviation, The Classic Asphalt Company, Portelec, Frommett, S.R. Investments, Big John's TV and Video Centre.

Ashe Park Estate, Spencer and Sons (Market Harborough), Honace.

HongkongBank

The Hongkong and Shanghai Banking Corporation

Incorporated in Hong Kong with limited liability

Results for 1983

The Directors announce that (subject to audit) the profit of The Hongkong Bank Group for the year ended 31 December 1983 was approximately HK$2,492 million (1982 HK$2,357 million), an increase of 5.7 *per cent*. The profit was arrived at after providing for taxation and after making the normal transfers to inner reserves, out of which provision for changes in the value of assets has been made. Audited accounts will be published at a later date.

The Directors propose the payment of a final dividend of HK$0.37 per share. Together with the interim dividend of HK$412 million already paid, the total distribution for 1983 will amount to HK$1,258 million (1982 HK$1,144 million), an increase of 10.0 *per cent*.

The balance sheet grew significantly in 1983 due in part to the weakening of the Hong Kong dollar. In order to maintain shareholders' funds at an appropriate level to the assets of the Group HK$2,000 million has been transferred from inner reserves to the Reserve Fund.

The Directors propose the transfer of a further HK$250 million from retained profits to the Reserve Fund of the Bank.

Bonus Issue

The Directors intend to recommend to shareholders at the Ordinary Yearly General Meeting to be held on 8 May 1984 that a bonus issue of shares be made in the proportion of one new share for every four shares held on 8 May 1984 by the capitalisation of HK$1,429,933,610 from the Reserve Fund of the Bank. If that recommendation is approved the Reserve Fund will be restored by a transfer of HK$1,430,000,000 from retained profits.

The bonus shares will not rank for the recommended final dividend but will rank *pari passu* with existing shares in all other respects.

Prospects for 1984

Further economic recovery in the major industrialised countries is expected during 1984 and with continued monetary restraint inflation should remain at modest levels. Hong Kong has seen a return of confidence following the linking of the Hong Kong note issue to the US dollar but further recovery, particularly in the property market is dependent on a successful outcome to the talks between Great Britain and China regarding the future of Hong Kong. Despite this uncertainty and the problems facing the less developed countries, the Directors consider that profitability of the Group will continue at a satisfactory level and are confident of their ability to recommend at least the same quantum of dividend as for 1983, that is HK$0.44 per share on the increased capital as proposed.

Closing of Register of Shareholders

The Register of Shareholders will be closed from 16 April until 8 May 1984 (both dates inclusive). In order to qualify for the final dividend and bonus issue, all transfers (accompanied by the relevant share certificates) must be lodged with the Registrars not later than 4.00 p.m. on 13 April 1984.

By Order of the Board
F R Frame
Secretary

Hong Kong, 13 March 1984

Brown Bear private placing to raise £3m

Brown Bear, which operates a chain of out-of-town furniture superstores, is raising about £3.1m via a private placing.

Merchant bankers Lazard Brothers have placed 1.33m ordinary shares at 230p each, representing 33.4 per cent of the enlarged equity. The cash will be used to refurbish five of Brown Bear's eight existing outlets and to set up a further 15 stores.

Richard Northcott, the chairman, who sold his Dodge City DIY chain to a subsidiary of F. W. Woolworth for £20m three years ago, will retain a 57.9 per cent stake in the company, the balance being held by other Brown Bear directors. Brokers to the placing are Laing and Cruickshank.

Forward Trust

Forward Trust Group, a Midland Bank subsidiary, reported pre-tax profits up at £36m for 1983 against £35.5m as new business volumes reached a record £1.13bn.

Group trading profit was £33m (£32.8m), associate profits added £3m (£2.7m), and tax credits contributed £29.3m (£33.4m). Minorities took £100,000 (£200,000) leaving £65.2m (£68.7m) attributable to the parent company.

Reserves increased by £5.3m (£2.2m) after £45.9m (£57.5m) was transferred to the special reserve and £14m (£9m) was paid in dividends to the parent company.

Shareholders' funds total £412.5m (£361.2m) and total assets stand at £1.87bn (£1.53bn).

Murray Glendevon

Net asset value per 25p share of the Murray Glendevon Investment Trust rose by 29.2p to 320.9p between July 31, 1983 and January 31, 1984. Revenue for the six months to end-January advanced by £161,321 to £176,213 after tax of £101,720, compared with a previous credit of £71,268.

Earnings for the full year are estimated at 3.3p (3.04p) per share. The net interim dividend is being increased from 1p to 1.05p—a final of 2.15p was paid for 1982/83. During the six months significant changes were implemented within the company's portfolio.

Merchants Trust

Net asset value per 25p share of Merchants Trust increased from an adjusted 86.9p to 107.6p for the year ended January 31, 1984.

A final dividend of 1.4p effectively lifts the total payment to 2.42p, compared with 2.2825p while earnings per share were 2.43p (2.3p).

Gross revenue for the 12 months improved from £4.67m to £5.61m. Administration expenses took £284,000 (£254,000), interest £1.25m (£724,000) and tax £1.55m (£1.31m).

McCorquodale

Of the 8,183,216 new ordinary shares offered by McCorquodale, packaging and printing concern, by way of rights, about 95 per cent have been taken up.

The shares not taken up have been sold in the market at a premium, and the net excess over the subscription price of 16.3p per share will be distributed pro rata among the original allottees entitled.

Guernsey Atlantic

At the end of 1983 net asset value per £1 share of the Guernsey Atlantic Securities Trust improved by 33p to 155p. The dividend is also increased from 2p to 2.5p.

Revenue for the 12 months amounted to £18,864, compared with £15,978, subject to tax of £4,965 (£5,000).

Kakuzi delayed

Kakuzi, Kenyan coffee and tea grower and cattle rancher, is holding discussions with the country's central bank after being told not to send interim dividend warrants to overseas shareholders.

The 50 cents per share dividend, due on February 29, has been paid to shareholders living in Kenya. The company, which reported a net profit last year of £1.01m (£1m), says it has always followed the central bank regulation that companies controlled by local shareholders may pay dividends without its prior approval.

The central bank has not allowed this for the payment due on February 29.

Geo. Armitage

Mr G. F. Armitage, chairman of Geo. Armitage and Sons, says in his annual statement that the outlook for 1984 appears good and the order book is stronger than this time last year. While the company will not enjoy the benefit of stock profits to the same extent as in 1983, Mr Armitage is confident of reporting good results for the year.

Howard Machinery

Mr C. F. Alsop, chairman of Howard Machinery, tells shareholders in his annual statement that he feels there are sufficient signs for him to predict that the "group will sustain its recovery, albeit at a pace slower in the short term than we would all like to see."

CAMBRIDGE ELECTRONIC INDUSTRIES PLC

24.0% increase in turnover to £103.9m

29.4% increase in profit before taxation to £9.7m

30.8% increase in earnings per share to 17.0p

39.9% increase in current cost earnings per share to 13.9p

20.0% increase in total net dividend for the year to 6.0p per share

Mr Rupert Jones, chairman, comments:

"In 1983 all three sectors of the Cambridge Electronic Industries Group have achieved higher external sales, both in value and in volume, and have improved profits. In part, these results reflect a somewhat healthier economic climate in the electronics industry, even though margins remain under pressure, but stem more particularly from increased productivity and the emerging benefits of some significant investments in a number of Group companies made during 1982 and 1983. As a result, all the key indicators of the Group's performance showed considerable improvements over the previous year."

If you would like a copy of the 1983 annual report, which will be published on 6th April, please fill in the coupon below and send to The Secretary, Cambridge Electronic Industries PLC, Botanic House, 100 Hills Road, Cambridge CB2 1LQ.

Name..................................

Address..................................

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CE

Tokyo Pacific Holdings N.V.

Tokyo Pacific Holdings (Seaboard) N.V.

The Annual Report as of 31st December 1983 has been *published and may be obtained from:*

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London EC4

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Over-the-Counter Market

1983-84 High	Low	Company	Price	Change	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
142	120	Ass. Bnt. Ind. Ord. ...	126	—	6.4	5.1	7.3	8.5
158	117	Ass. Brit. Ind. CULS...	139	—	10.0	7.2	—	—
78	62	Airsprung Group	69	− 1	8.1	8.8	19.7	19.7
38	21	Armitage & Rhodes......	29	—	—	—	—	—
320	141½	Bardon Hill	320	—	7.2	2.3	13.1	26.8
58	53	Bray Technologies	58	—	2.7	4.7	10.5	11.4
200	197	CCL Ordinary	200	+ 3	5.0	2.5	4.5	6.3
151	121	CCL 11pc Conv. Pref....	149	+ 2	15.7	10.5	—	—
390	100	Carborundum Abrasives	390	—	5.7	1.5	—	—
249	100	Cindico Group	103	—	17.8	17.0	—	—
63	45	Deborah Services	81	—	6.0	9.8	32.8	53.0
205	75	Frank Horsell	205	—	—	—	8.8	14.1
191	75½	Frank Horsell Pr Ord 87	191	—	8.7	4.8	8.0	13.2
69	28	Frederick Parker	28½xd	—	4.3	15.1	—	—
39	32	George Blair	35	—	—	—	—	—
80	46	Ind. Precision Castings	48xd	—	7.3	15.2	13.3	16.5
350	134	Isis Conv. Pref.	350	—	17.1	4.8	—	—
121	61	Jackson Group	118	—	4.5	3.8	6.2	12.1
242	169	James Burrough	241	—	11.4	4.7	13.3	13.7
347	275	Minihouse Holding NV	347	—	4.0	1.2	26.0	31.8
176	106	Robert Jenkins	106	—	20.0	18.8	12.3	8.3
74	59	Scruttons "A"	59	—	5.7	9.7	8.8	7.1
120	62	Torday & Carlisle	62	—	2.8	4.7	—	—
444	385	Trevian Holdings	434	+ 2	—	—	8.8	6.0
26	17	Unilock Holdings	18	—	1.0	5.5	11.8	17.1
92	65	Walter Alexander	84xd	− 2	8.8	8.1	7.4	5.8
276	238	W. S. Yeates	240	—	17.1	7.1	3.7	7.7

J. Henry Schroder Wagg & Co. Limited announces the

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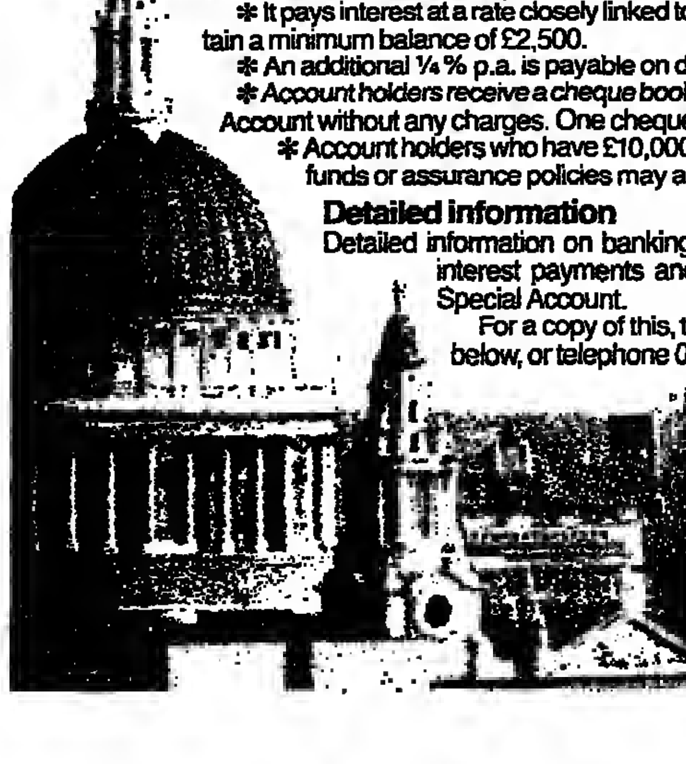

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Please send me, without obligation, your booklet and application form regarding a Schroder Special Account.

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Schroders
SCHRODER SPECIAL ACCOUNT

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BIDS AND DEALS

MINING NEWS

Joe Hyman builds up a 7.5% stake in Readicut

BY CHARLES BATCHELOR

Mr Joe Hyman, former chairman of the Viyella textile group, has a 7.47 per cent holding in the Yorkshire rug kits and specialist textiles company Readicut International, it emerged yesterday.

Mr Hyman and trusts controlled by him hold 5.75m shares, making him the largest shareholder. The Prudential Assurance Company holds a further 6.33 per cent while Norwich Union Insurance owns 5.02 per cent.

Readicut's shares rose 3p yesterday to a new 1983-84 high of 30p to value the company at £23.1m.

Mr Harry Morrell, vice-chairman of Readicut, said the company first heard of the Hyman stake at mid-day yesterday. Board members are currently dispersed but the holding will be discussed "in due time," he added.

"We just accept it," Mr Morrell said. "These things happen." Readicut has made large pre-tax losses in two of the past three years and even profitable years have been well down on the peak £9.4m achieved in the year ended March 31 1979.

In the six months ended September 30 1983 Readicut made a pre-tax profit of £443,000 against a loss of £1.89m in the comparable period. Furnishings, textiles and carpets performed well but handicrafts, yarns and fibres were unsatisfactory.

Mr Hyman, now 61, acquired a dynamic reputation during the 1960s building up the Viyella textile group, but was deposed in a boardroom coup in 1969.

He opposed the recent takeover bid by Mr Davoud Alliance's Vantona group for Carrington Viyella — the company which emerged from the Viyella group.

He initially refused to accept the bid in respect of the 7 per cent holding he built up and vainly petitioned the High Court to prevent ICI, which owned 49 per cent of the Carrington Viyella equity, from voting more than 35 per cent of the shares.

Charterhouse Rothschild to launch £50m unit trust

BY RAY MAUGHAN

Charterhouse J. Rothschild, the financial services group formed through the merger of Charterhouse Group and RIT & Northern, is launching what it describes as the largest unit trust ever issued in the UK when applications for Charterhouse J. Rothschild Pacific Investment Trust open on March 20.

The trust will have an initial capital of £50m of which £10m will be held by Charterhouse J. Rothschild, £27.5m will be taken by City institutions and £12.5m will be offered to private shareholders.

Management will be provided by Mr Richard Thornton, who resigned recently from the successful GT Management group, has been appointed chairman of the new trust. He said yesterday that he will be providing "perspective" while Mr Michael Bunker, brought across from Charterhouse J. Rothschild's Japan and Hong Kong funds run by Target Life, "gets proximate." The managing director will be Mr Colin Hook, who headed Joseph Sebag's Hong Kong operations until 1976.

The issue will be backed up by a one-for-five warrant, exercisable between 1985 and 1989 at the £1 offer price. The fund will have a 10 year life.

The managers will take 40 per cent of the equity although option arrangements have been negotiated between Charterhouse J. Rothschild and the fund's directors giving a call and a put option over seven years and three years respectively.

Mr Thornton, who has built up a wide reputation as a Far Eastern specialist, said yesterday that the portfolio will be concentrated in Japan and "we will be going flat out for capital growth."

De Beers recovery gains strength in second half

BY KENNETH MARSTON, MINING EDITOR

A GRADUALLY improving pace of recovery shows through in the 1983 results of De Beers Consolidated Mines, the South African diamond giant headed by Mr Harry Oppenheimer. Net profits have risen 19.8 per cent to R530.2m (£301.5m), or 147.4 cents per share, from R442.5m in 1982.

The latest earnings are before crediting a R5.6m share of extraordinary profits of associated companies. In 1982 there was a debit of R14.9m under this heading.

The final dividend is increased modestly to 27.5 cents to make a total for the year of 40 cents (22.7p) against 37.5 cents for 1982. This is the first increase in the year's total since the best-ever payment of 75 cents for 1980, a distribution which was followed by a cut to 50 cents for 1981.

De Beers has done better in the second half of 1983 than in the first six months of the year when overall earnings were checked by a fall to R93.3m in the share of retained profits of the non-diamond subsidiaries, notably Anglo American Corporation, Anglo American Industrial Corporation and Minerals and Resources Corporation (Minorco).

The non-diamond side has seen a recovery in the second half with the result that its contribution to De Beers for the full year has come out at R226.8m. Investment income for the year has shown a useful recovery to R161.7m, matters being helped by a higher contribution from gold.

Diamond income has grown from R158.9m at the half-way stage to R430.2m for the full year compared with R285.7m in 1982. It will have benefited from the favourable rand-U.S. dollar exchange rate and the average price increase of 3.5 per cent for rough gem diamonds applied by the Central Selling Organisation (CSO) in April.

There may be some disappointment that the big stockpile of unsold diamonds has further increased to R2.25bn from R1.83bn a year ago, although R223.4m of the increase is attributable to the change in the rand-dollar exchange rate.

The important thing is that De Beers remains confident about the diamond market improvement. It points out that retail sales of diamonds jewellery reached a record last year, with particularly buoyant Christmas sales in the U.S., and says that with the retail trade optimistic for 1984, "the CSO is anticipating a continuation of the improving sales trend."

The CSO continues to see a strong demand for the smaller and less expensive rough gem diamonds and notes an increasing interest in some of the more expensive stones, but the top "investment" qualities have yet to come back in demand.

In all, De Beers seems set for a further improvement in earnings and dividend in 1984 and possibly may begin to reap the benefits of sales from the stockpile.

This view, of course, is based on a continued recovery in the U.S. economy. Whether this will also apply in 1985 remains to be seen.

Shares of De Beers closed 4p down at 610p after 604p following the results yesterday.

	1983	1982
	Rm	
Diamond account	430.2	287.5
Investment income	161.7	149.0
Other interest	66.7	49.5
Share of assoc coy's	226.8	240.0
Surplus real. of invest.	7.5	10.8
Real. of fixed assets	—	1.0
Making	892.9	737.8
Prospecting & research	56.5	59.0
General charges	9.2	15.7
Interest payable	73.2	94.8
Fixed assets and loans written off	1.7	2.2
Profit before tax	752.3	566.1
Tax	157.00	89.0
State's share of profit	8.4	—
Profit after tax	586.9	477.1
Outside holders	54.9	32.8
Pref. dividends	1.8	1.8
Attributable	530.2	442.5
Share of assoc. coys.	5.6	(14.6)
Transfer to reserves	378.7	254.7
Deferred dividends	143.9	134.9
Earnings per deferred share before extraordinary items:		
—excluding share of retained profits of associates	84.3c	56.3c
—including share of retained profits of associates	147.4c	123.0c

Laporte pays £1.6m for 83% of Wendstone

Laporte Industries (Holdings) has bought an 82.6 per cent shareholding in Wendstone Chemicals, of Billingham, Teesside, in a move to create a significant new force in the world market for speciality chemicals.

The shares have been acquired from Marlborough Teesside Management, Wendstone's parent company, for £1.6m.

Laporte has entered into an agreement to purchase the balance of the shares in 1989—these are owned by Whytehill Management, a company controlled by Dr J. P. Regan managing director of Wendstone.

Wendstone is a recently-established company with research laboratories and a sophisticated process development plant.

SHARE STAKES

London Merchant Securities—As a result of a beneficiary of the Max Rayne second family trust settlement and the Max Rayne third family settlement reaching the age of 18, Lord Raynes interests has been reduced by 547,971 ordinary shares and 181,390 deferred shares and he is now beneficially interested in 4,059,857 ordinary (2.54 per cent) and 2,141,322 deferred ordinary (2.68 per cent).

Border Breweries (Wrexham)—Robert Fleming and Co. on behalf of the offeror, has bought 20,000 ordinary shares at 243p per share.

James Walker Goldsmith and Silversmith—Laurence Prust and Co. has purchased 20,000 ordinary shares and 50,000 non-voting ordinary shares.

Montague Boston Investment Trust—As a result of the purchase of 100,000 ordinary on March 12, 1984 Drayton Consolidated Trust is the beneficial owner of 2,931,939 ordinary (29.3 per cent).

AGB Research—As a result of a disposal of 30,000 ordinary, G. B. Audley's non-beneficial holding has been reduced by 28,500 shares and his beneficial holding reduced by 1,500.

Sangers Photographics—Photo Album Specialists/Foframe of Huntingdon and Associates has purchased 510,000 ordinary shares (5.1 per cent).

Warner Estate Holdings—Provident Mutual have notified that its interest in 496,000 ordinary is held as follows: Provident Mutual Life Assurance Association 240,000 and Provident Mutual Managed Pensions Funds 248,000.

Datastream — The Bankers Investment Trust/TR City of London Trust/TR Technology Investment Trust/TR Trustees Corporation are interested in 908,001 ordinary (6.63 per cent). Previously TR Australia Investment Trust and TR Natural Resources Investment Trust had also been interested in these shares.

BIDS AND DEALS IN BRIEF

Suter has been informed by Christopher J. Moran that holdings in Mr Moran's ownership and control total 1.46m ordinary and 890,000 deferred ordinary, representing 10.004 per cent of the total ordinary shares in issue.

* * *

Automated Security (Holdings) has purchased the capital of Five Square Electronics, whose subsidiary Alert Security is currently installing a major system in the North East to provide ultimately 20,000 old people's dwellings with medical and emergency surveillance.

* * *

AIDCOM International design, market research and technology group has acquired a 90 per cent holding in electronic and microprocessor development consultancy AIM Cambridge, from Tekell Holdings, parent company of the TEK group of Cambridge.

The deal involves an initial cash payment of £240,000 with a further sum payable if pre-tax profits for the year, to the end of October 1984 exceed £83,000. If these profits reach £125,000 or more, the second payment will be a maximum of £150,000. AIM Cambridge, for the 10 months ended October 3, 1983 made pre-tax profits of £50,000 as adjusted by auditors (annualised £60,000). Net tangible assets amounted to £77,000.

The acquisition brings the second substantial microtechnology company to AIDCOM. It follows the February announcement of a 42 per cent pre-tax profits rise for the year 1982-83 and the group's intention to apply for a full listing.

* * *

The Avana Group, presently bidding for Bassett Foods, announced yesterday that it has received acceptances for 261,129 Bassett shares, or 2.15 per cent of the ordinary. On Friday the first closing date of the offer, Avana announced it was to be extended until Friday March 23.

Directors and financial advisers of Bassett Foods have strongly advised shareholders to ignore any further circulars from Avana Group and not to complete any form of acceptance.

* * *

The offer by Associated Leisure to acquire Pleasurama has been declared unconditional in all respects, the special resolution reorganising the capital of Pleasurama and making ex-gratia payments to retiring directors having been approved.

Cash elections were made in respect of 478,349 new Leisure Ordinary shares. These have been satisfied in full, so the consideration received by shareholders who exercised the cash election will be 765p in cash for every five Leisure ordinary shares.

Share elections were made in respect of 29,110,527 Leisure deferred and a like number of new ordinary. Since share elections can only be satisfied to the extent that shares have been made avilable as a result of casb elections, and because of the low level of cash elections, share elections have not been satisfied in full.

The exercise of cash elections have been distributed pro rata so that the consideration received by shareholders who exercised the share election will be approximately 434.6p cash and 1.016 Pleasurama shares for every 5 Leisure ordinary.

* * *

It was announced on February 3 that Oceonics had reached agreement on principal terms for the acquisition of Air-Log, Tomash Holdings, Laser Holdings and Deepform Technology.

Definitive contracts for these acquisitions, which are conditional on the approval of Oceonics ordinary shareholders at an EGM on March 30, have now been exchanged.

Aggregate consideration payable on completion of these contracts, approximately £13.5m, will be satisfied by issue of 2,318,278 new Oceonics ordinary, an 11-month promissory note in the amount of £3m and cash of approximately £3.75m.

* * *

Consequent upon the final closure of the merger between Allnatt London Properties, Guildhall Property Company and Slough Estates, R. W. Diggens acquired 14,922,500 ordinary shares in Slough, increasing his own holding to 14,941,250. Also, L. H. Smith acquired 6,928,261 ordinary in Slough, raising his holding 6,936,698. Additionally, Mr Smith's wife acquired 322,640 ordinary and four trusts in which Mr Smith has no beneficial interest acquired in total 18,165,686 ordinary. All acquisitions were retained.

* * *

Mr Charles St George, the Lloyd's underwriter who runs a group of Lloyd's insurance interests through Oakeley Vaughan, has emerged as a substantial shareholder in Howard and Wyndham, the publisher and retailer.

Mr St George's shareholding stands at 240,000 shares representing 5.67 per cent of the company.

Howard and Wyndham is best known for the provincial theatres it used to run. Last month, W. H. Allen, the book publisher, which is the only operating subsidiary of Howard and Wyndham, sought to raise £1.4m through a share sale to secure its independence from Howard and Wyndham.

* * *

James Walker Goldsmith and Silversmith—Laurence Prust and Co., on behalf of H. Samuel, has purchased 25,000 ordinary at 158p per share.

MMC group tin outputs

AMONG THE tin concentrate output figures reported for February by the Eastern mines in the Malaysia Mining Corporation group that of Ayer Hitam shows a further increase. It raises the production for the first eight months of the current financial year to 878 tonnes from 764 tonnes in the same period of 1982-83.

Of the other mines, Berjuntai now has a 10-month total of 1,729 tonnes against 2,051 tonnes a year ago and Sungei Besi has produced 519 tonnes in the past 11 months against 755 tonnes.

Actual sales of the mines are subject to the export restrictions imposed by the International Tin Council and these also tend to hold production in check.

The latest monthly output figures are compared in the following table.

	Feb tonnes	Jan tonnes	Dec tonnes
Aokam	112	132	85
Ayer Hitam	128	117	96
Berjuntai	166	187	169
MMC	426	400	405
Sungei Besi	43	48	50
Tongkah Harb.	39	37	86
Tronoh	28	34	28

Four Canadian mining majors have formed a joint mining research and development corporation. They are: Inco, Falconbridge, Kidd Creek Mines and Noranda Mines. The newcomer will carry out research into the mining and processing of the type of hard rock ores encountered by the four companies.

Meanwhile, Kidd Creek has posted a fourth quarter profit of C$3.6m (£1.95m) which reduces the total loss for 1983 to C$1.2m compared with a loss of C$37.3m in 1982. Company says it is "optimistic" for 1984 and plans a 20 per cent increase in its exploration budget.

Hawtin

Mr Leonard Dovey, the chairman of Hawtin, said at the AGM at Blackpool, that he looked to the future with confidence and the prospect of more profitability with a growth in assets.

MINING NEWS IN BRIEF

Following the mention in Inco's recent annual report that the issuance of equity capital may form part of measures to finance cash shortfalls, the Canadian nickel producer now says that it has no plans to sell additional common shares.

However, it is considering making a "small tax-related financing" which would involve an issue in Canada of approximately 1.1m shares in order to sell Investment Tax Credits. Under Canadian tax law the sale of these credits has to be part of a share issue.

* * *

Hampton Gold Mining Areas' geologists will be among the many mining observers who are intrigued by news of the apparently rich gold discovery made by a small prospector, Mr Bill Powell, near Coolgardie in Western Australia. It is understood that his find lies adjacent to the western boundary of Hampton Areas' location 59.

Meanwhile, Tunax Resources has lost no time in confirming speculation that it has a 35 per cent stake in a joint venture with Mr Powell "a short distance" from the prospector's high grade gold discovery.

* * *

Canada's Roman Corporation, whose main source of income is derived from its 36.3 per cent stake in the Denison Mines energy group, has lifted 1983 net profits to a record C$31.5m (£17m), or C$3.23 per share, from C$15m in 1982.

Mr Stephen B. Roman, the chairman, says that with growth assured for Denison for many years ahead, dividend returns from our major investment will be substantial." This, combined with a steadily improving asset base, will allow Roman Corporation "to pursue aggressively other profitable ventures," he adds.

Y J LOVELL (HOLDINGS) plc

MAIN GROUP ACTIVITIES: Housing and Commercial Development, Construction, Plant Hire and Mechanical Engineering, Timber Importing & Merchanting.

Record profits and further growth

SUMMARY OF THE YEAR

	1983 £000	1982 £000
Turnover	169,591	153,607
Profit before Tax	4,556	3,745
Shareholders' funds	35,919	33,510
Dividend per Ordinary Share	5.2p	4.5p
Earnings per Ordinary Share	22.6p	19.8p
Net asset value per Ordinary Share	208.8p	194.7p

HIGHLIGHTS OF 1983

- Profit before Tax increases for ninth successive year—up 21.6% to record high of £4.56 million.
- House sales rise by 30% to nearly 1,600 units.
- Building Division maintains profitability and workload in difficult trading conditions.
- Plant Hire returns to significant profit.
- Timber Division restructured and losses eliminated.

"1984 has started well for Lovell . . . given trading circumstances no worse than at present, then the current year should not give cause for disappointment."

Norman Wakefield, Chairman

Lovell

HAWTIN PLC

FINAL RESULTS

	34 weeks to 30th September 1983 £000	53 weeks to 31st January 1983 £000
Turnover	9,386	8,943
Profits (loss) before taxation	606	(72)
Earnings (loss) per share	1.00p	(0.22p)
Dividend on ordinary shares	0.25p	—

EXTRACT FROM THE CHAIRMAN'S STATEMENT

The board continues with its plan to maximise profitability of existing subsidiaries.

Throughout the group there is a spirit of excitement and high morale as it is apparent that we are going from strength to strength.

I am conscious of a simple maxim which is: "The one thing in life we cannot buy is time."

We shall continue to look for profitable companies. Your board will press on vigorously and at speed to build up a powerful asset base with profitability and good dividends.

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The Notes, in denominations of £5,000 each, are being issued at 100 per cent. of their principal amount, with one Warrant per Note, and will rank as direct, unsecured obligations of the Ricoh Company, Ltd. The Notes with Warrants, the Notes and the Warrants have been admitted to the Official List by the Council of The Stock Exchange in London, subject only to the issue of a temporary global note and a temporary global warrant representing the Notes and the Warrants respectively. Interest is payable annually in arrears on 29th March, commencing in 1985.

Particulars of the Notes with Warrants and Ricoh Company, Ltd. are available in the statistical services of Extel Statistical Services Limited, and particulars of the Notes with Warrants may be obtained during usual business hours up to and including 29th March 1984 from:-

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London EC3P 3DB

Grieveson, Grant and Co.
59 Gresham Street
London EC2P 2DS

14th March 1984

Barratt

Developments PLC

INTERIM STATEMENT

- The half year to 31st December, 1983 saw Barratt Developments consolidate its position as Britain's largest private housebuilder. The following are the unaudited results of the Group.

	Half year to 31st December, 1983 £'000s	Half year to 31st December, 1982 £'000s
Turnover	259,372	220,432
Profit before taxation	19,063	20,739
Taxation	7,565	7,691
Profit after taxation	11,498	13,048
Interim Dividend	4,106	3,732
Retained Profit	7,392	9,316

- The number of legal completions at 7,700 showed a small decline in the U.K. but an increase in the U.S.A. compared with the six months ended December 1982. Some disappointment was experienced with new sales, with current land shortages and the resultant price escalation threatening to become a major constraint on the demand for home ownership.
- The scale of our commitment to Inner City renewal continues to increase as experience proves that our original confidence in the future of this sector was well founded.
- In California our policy of providing much needed affordable housing is gaining momentum. Whilst the profit contribution showed an increase, margins remain under some pressure, but further progress was made in terms of the number of houses built and sold.
- The controlled expansion of our property investment portfolio continues with the market for new industrial and commercial property showing some improvement.
- Our leisure property interests have recently been increased by the acquisition of Foxhills Golf and Country Club, Surrey, in line with our continuing expansion programme.
- The board is declaring an interim dividend of 2.31p per share, an increase of 10% over the previous year. This will be payable on 25th May, 1984 to shareholders on the register at close of business on 27th April, 1984.

Sir Lawrie Barratt

TECHNOLOGY

EDITED BY ALAN CANE

VEHICLE DESIGNERS MET RECENTLY IN GENEVA TO DISCUSS THE CAR OF THE FUTURE

Shape metals to star in tomorrow's motors

BY JOHN GRIFFITHS

THE MOTOR industry has been picked as a prime potential user of cheap, lightweight shape-memory-metal actuators. These are capable of performing a wide variety of tasks from operating engine controls, door locks—even windscreen wipers.

Raychem, the U.S.-based corporation, which developed them at its European research and development headquarters at Swindon, is already producing 1,000 a day. It is talking to three Japanese car makers, among other manufacturers, and the devices are now being fitted to Toyota Supra sports models sold in the U.S.

In the Toyota application, they actuate spot and fog light shutters when they are not in use. There is no reason why they should not also operate "pop-up" headlights on sports cars as well—but this still represents only a small number of potential applications, according to Mr Trevor Humphrey, product manager of Raychem's transport division.

The actuator currently produced is little over three inches long when extended and weighs a couple of ounces. But even in this form, it provides an operating force of 1 lb.

The basic design is easily adapted for size and configuration to meet different combinations of force and stroke, which can be linear, rotary or a combination of the two.

Raychem research scientist Mr Dick Yaeger, in a paper on the actuators given to the International Association for Vehicle Design conference in Geneva, said that although the actuators did not offer "a panacea" to the motor industry, they offered advantages "which conventional approaches would find difficult or impossible."

The actuator is based on a "shape-memory" nickel-titanium alloy. The passing of a minimum two-amp current to it, via for example a dashboard switch, heats an extended shape memory spring which assumes a strength 6-10 times that of its unheated form in retracting to its "memorised" shape — and actuating a component.

On cooling, a return force of only 4 ounces is required to reset it. An externally mounted spring acts as an overload protector. The complete operating cycle requires only a few seconds.

If, as Raychem engineers believe, the actuators can be developed to operate systems such as wipers, the cost-saving potential for vehicle manufacturers—given the ability to dispense with expensive electric motors—is considerable.

Details of the actuator which, says Raychem, costs about $3, were given at the first conference to be staged in Europe on the subject of vehicle design.

The conference, held recently in Geneva, represented something of a coup for the International Association for Vehicle Design, a learned society based at the Open University and headed by OU academic and industry officer, Dr Mohammed Dorgham.

Dr Dorgham was approached by the Geneva exposition authorities at the end of last year to organise the conference immediately ahead of this month's Geneva motor show.

Despite, in conference terms, such remarkably short notice, Dr Dorgham pulled together the presentation of 100 papers from senior motor industry research and development figures throughout the world, and some 400 delegates.

The conference survived some delegates and all the conference papers being caught up in the French truckers' blockade—at one stage truckers threatened to burn the vehicle carrying the papers if its driver attempted to move—and a British Airways strike, to be adjudged a success.

A larger conference is planned for next year, and in the meantime Dr Dorgham has caused some astonishment in motor industry circles by securing Mr Roger Smith, chairman of General Motors, as keynote speaker for an Open University conference next month on developments in technology to the 2000.

Optical wiring planned

RCA CORPORATION is discussing with two major U.S. car makers a joint programme aimed at introducing computer-controlled, fibre optic-based "multiplex" wiring systems to North American volume-built cars.

In these systems a single cable of fibres connects to the lights, heater, windscreen wipers and other electrical systems instead of the complicated wiring harness now used. Each device is coded, and only responds to its own coded instructions from a central microcomputer.

Various prototype systems are also at differing stages of development in Europe and Japan but cost and technology problems have kept them off the production line so far.

According to Mr Jim Tuska of the RCA David Sarnoff Research Centre in Princetown, RCA believes that it can now persuade U.S. car makers that multiplex systems can be designed cheaply and reliably.

From the discussions it hopes a joint detailed life cycle cost monitoring programme will emerge, to validate its view that such systems can be cost-competitive, particularly when the significant advantages they offer over conventional wiring systems are taken into account.

Not least of these advantages, in engineering terms, is the prospect of being able to dispose of the now heavy, and very complex, conventional wiring systems which have arisen as the result of more functions and "extras" being added to modern cars.

But some considerable marketing advantages are seen, too—providing the average customer doesn't latch on . . .

For example, marketing executives who have been given a view of the multiplex system's technological abilities see the possibility of selling as $35-40 "options" such features as "intelligent" windscreen wash/wipe functions: the wipers, on being turned on, would make a few sweeps, operate the washers a few times and, depending on conditions, perhaps finish with a succession of intermittent wipes.

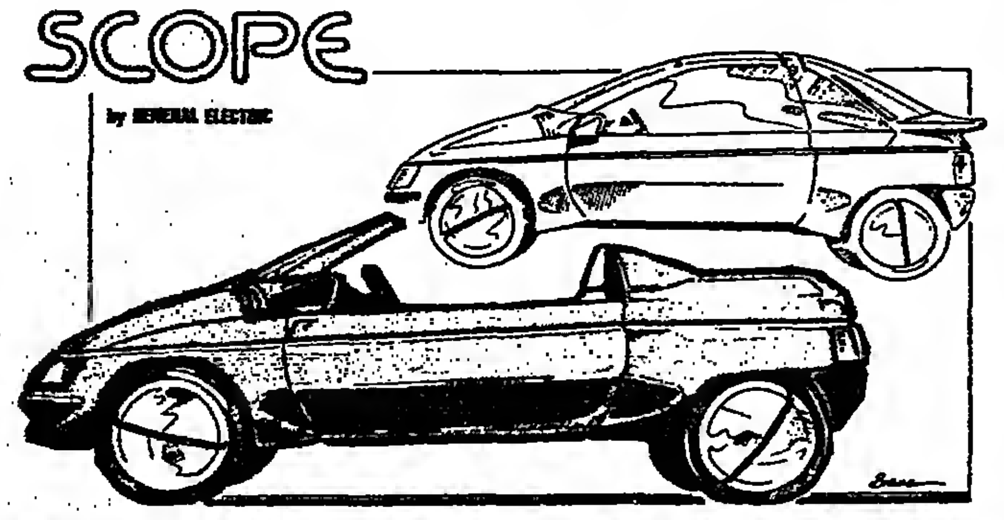
Or, a customer could request a lighting system which on parking, say, in a darkened area, would keep headlights and reversing lights on for a defined period after the driver had left and locked his car—until, perhaps, he had let himself into his house.

The options are many—and in reality would involve the manufacturer in nothing more than inserting a couple of program lines in the microcomputer at the heart of the multiplex system.

The system as conceived by RCA has separate bus circuits for front and rear.

A microcomputer acts as the master control unit (MCU). Several remote transceiver units (RTUs) are connected to it by one or more fibre optic bi-directional signal "bus" wires. Each RTU in turn connects to specific vehicle functions and because the RTUs are dispersed around the vehicle, the sub-connections can be simple, and short.

A demonstration vehicle so far has been driven 6,000 km in a variety of traffic situations with no systems malfunction.



Scope, General Electric Plastics' concept car unveiled last year, made extensive use of new materials

ICI provides the basics for the plastic engine

THERMOPLASTIC composites developed by Imperial Chemical Industries are undergoing evaluation for a wide variety of internal combustion engine components.

Some of the components being considered include piston skirts and rings, timing chain gears, tappets, bearing shells and turbocharger impellors—all items required to operate at high temperatures.

With one composite in particular, an aromatic polymer named APC1, "we shall see the commercialisation of a very high technology product, under the influence of the aerospace industry," according to Dr James Maxwell, of ICI's petrochemicals and plastics division based at Welwyn Garden City, Herts.

But while the use of such components in vehicle engines clearly offer the potential for a very high degree of weight-saving and other benefits, Dr Maxwell felt obliged to warn over 400 delegates to the International Association for Vehicle Design conference in Geneva that it was likely to be some years before the motor industry would have any significant access to the most sophisticated composites such as APC1, which uses long carbon fibre as its reinforcing material.

The contraints are not so much technical as commercial; material and manufacturing costs are likely to be much higher than for metal-based engine components for a long time to come.

However, Dr Maxwell went into some detail on the potential offered by latest-generation thermoplastics, and the composites based on them.

ICI is concentrating attention on two in particular: one, being marketed as Victrex PES, is polyethersulphone, an amorphous engineering plastic the particular virtue of which is thermal stability. It has, says Dr Maxwell, "thousands of hours life at 200 deg C and virtually unlimited life at 180 deg C."

In its unreinforced form, it is used primarily for its heat resistance in components such as connectors, heater components, electrical relays and printed circuit boards.

The other, Victrex PEEK, is the pronounceable form of polyetheretherketone, a crystalline polymer with even better fatigue and chemical resistance—its only common solvent is concentrated sulphuric acid. It has a melting point of 334 deg C, and a continuous working temperature of around 250 deg C.

Currently, it is used in high-specification wire coverings, but so far its use in engineering components has been restricted.

Short fibre-reinforced composites based on both thermoplastics are, however, demonstrating considerable potential for under-car bonnet applications, according to Dr Maxwell for both high temperature and high stress useage.

Racal spreads its expertise

BY PETER MARSH

A CHANGE of strategy by a leading British electronics company has provided the impetus for a new venture in expert systems — advanced computers that show something approaching human intelligence.

Racal Decca has decided to disband its research group in expert systems. The expertise of the division will be assimilated in the company's operating groups.

As a result, Mr David Hawkins, formerly general manager of the research team, has started his own company, Oilfield Expert Systems. The company will sell advanced software to help the oil industry to evaluate drilling prospects.

Racal set up its expert systems division two years ago. Mr Hawkins, a Cambridge graduate who had worked in the U.S. for 15 years for Schlumberger, the oil services company, returned from America to head the group.

Racal's strategy on expert systems changed course after the company decided against attempting to sell expert systems for the oil industry — the computers on which the research group was working.

Most of the nine people in the expert systems group have been moved to other Racal divisions that sell computer-aided design and defence electronics.

With the software that Oilfield Expert Systems will sell, managers in the oil industry should make more sense of the masses of information that arise from surveys of potential oil fields.

These surveys generate, for example, data about geology or surface characteristics. Normally, only highly trained specialists can comprehend the information.

"I left Racal amicably," says Mr Hawkins, 40. "We both decided to concentrate on the areas that we knew best."

Mr Hawkins's new company is partly owned by Scientific Computers of Burgess Hill, Sussex. Scientific Computers is the British distributor of computers made by Symbolics, an American company. Mr Hawkins will use these machines in his products.

Oilfield Expert Systems's main product will be a software package called IKBM — Integrated Knowledge-Based Modelling. This will be licensed to customers for a monthly fee of £4,000.

POWER BROKERS TO THE WORLD
POWER PLANT

Process

Hygenic valve series

THE Saunders Valve Company of Cwmbran, Gwent, has launched a series of valves designed for use in biotechnologically-based industries.

The new valves are based on Saunders own "A" FP stainless steel weir diaphragm valve, which, the company claims, is believed to be the most hygienic valve made. Only the valve body and the diaphragm are in contact with the process fluid; all working parts are sealed to prevent product contamination, increase output and boost plant profitability.

The valve is cast in stainless steel and the diaphragms may be in natural or synthetic, black, white or Ptfe-faced rubbers. For certain roles in fermentation, tissue culture and regeneration, diaphragm valves alone pass muster, Saunders believes.

Welding

Wire feeders for E-beam

ASTRO ARC Incorporated of California has developed electron beam welder wire feeders which are now being used by U.S. aerospace contractors.

These advanced machines are used to feed selected materials as fillers to the weld pool—a typical example, according to the Huntingdon Group which is marketing Astro's machines in this country, is building up worn surfaces of labyrinth seals in aero engines.

The machine will accept wire from 0.018 ins to 0.045 ins in diameter; there is an integral wire straightener and the wire feed can be varied manually. More on 0408 58671.

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14/3/84

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Conglomerate in the making

A modern Milanese merchant

Alan Friedman talks to Silvio Berlusconi, whose interests range from television to housing estates

Silvio Berlusconi: an unorthodox thrashing of Italy's state television

ASK ANY Italian for a pantheon of leading businessmen and you will soon hear the names of Agnelli of Fiat, de Benedetti of Olivetti, Pirelli of tyre fame or Benetton, the sweater-king. But lately a name which is less internationally renowned has been creeping into the lunch-time conversations of businessmen in Milan: that of one Silvio Berlusconi.

Silvio Berlusconi is the 47-year-old empire-builder who has completely revolutionised Italian television in just three years. In 1981 he established a national private network called Canale 5 which has thrashed Italy's state television in the most unorthodox way. Although it is illegal in Italy for anyone but the Government's Radiotelevisione Italiana (RAI) to operate a bona fide nationwide service, Berlusconi uses a complex system of couriers to shuttle videotapes to 800 of his own relay stations around the country in order to create "the illusion of a national network."

His main network—Canale 5—has not only saturated Italy with the kind of scantily-clad ladies who would send Mary Whitehouse reaching for her pen but it has also attracted more viewers than the state television flagship and annual revenues in excess of L500bn (£208m).

The flamboyant Berlusconi is not content with television alone. His private financial empire includes vast luxury housing estates, shopping centres and electronics companies as well as a major stake in one of Italy's national newspapers, a theatre and the Italian equivalent of the Radio Times, which has 2.4m subscribers. In all, there are 146 Berlusconi companies, all directed from a lavish Milan mansion replete with rare Canalettos.

For a man of such huge success—and not even his critics would deny his spectacular achievements—Berlusconi is extremely coy about the finances of his organisation, which employs 3,700 people. He is ever-willing to discuss how he created a craze in Italy for American football or how he has not had a holiday in three years of working 18-hour days but when pressed for details of how he financed the Berlusconi group he tends to change the subject abruptly.

This is not unusual in a country where the practices of financial disclosure are somewhat behind the U.S., but it has raised some eyebrows in Italian financial circles. One of Berlusconi's favourite fund-raising techniques, for example, the sale of "certificati atipici" (shares which are sold door-to-door) has come in for criticism from government officials. Berlusconi's financial subsidiary has raised a total of L100bn (£42m). The technique has also been used successfully by the Lugano-based Europrogramme Property Fund, but Italy's authorities are now trying to clamp down on the practice.

However unforthcoming Berlusconi may be about the financing of his group, last year it achieved a turnover of more than L1,000bn (£417m) and there can be no disputing the entrepreneurial talents of a man whose past vocations included singing Frank Sinatra melodies, acting as a tour guide, a photographer and a building contractor.

Having studied law and advertising, Berlusconi set out in 1961 (aged 25) to work in the construction sector. Two years later he formed his own construction company, Edilnord, and put together a residential project for 4,000 inhabitants. The attractions of designing new fully-serviced "towns without cars" appealed and in 1969 he started work on the ambitious and now very chic "Milano 2" estate.

This is a luxury village, a few kilometres north of Milan, complete with shops, schools and churches. It has three different levels for cars, bicycles and pedestrians. Total investment in Milano 2, which houses 10,000 people, has been L1,000bn and the flats now sell for around L200m each. How was Milano 2 financed? "In many ways," responds Berlusconi.

The Milano 2 project was followed in the 1970s by restaurants, a hotel, shopping centres, industrial sites and inevitably, the avant-garde Milano 3. Then, turning his attention to publishing, Berlusconi in 1979 bought his way into "Il Giornale," a right-of-centre national newspaper founded by ex-journalists from the leading Corriere Della Sera.

In addition to his 37.5 per cent stake in the newspaper, he later paid L20bn and obtained 52 per cent of Sorrisi Canzoni TV, Italy's leading television weekly magazine. Along the way Berlusconi picked up an honorary Cavaliere del Lavoro, a kind of distant cousin of the British knighthood which is awarded by the President of Italy.

But trying to talk with Berlusconi about the past, or anything but television, is a bit futile. He is a man obsessed, and his favourite obsession is Canale 5 and his 48 per cent share in Italia Uno, another low-brow national television "network."

"I wanted to create a private network of entertainment, with videotapes shuttled around Italy a few days before broadcast. That way the shows are aired simultaneously and there is the illusion of a network. It's really a lot of little cassettes in local stations," expains the maestro.

And so, in pursuit of advertisers, Berlusconi spent much of his time travelling. He went "directly to the presidents" of multinational corporations and claims to have had a regular schedule of two lunches and two dinners a day over the past three years. "I met 600 presidents and I put eight kilos (just over a stone) on my waist," confesses the slightly plump Berlusconi.

The Canale 5 formula of Dallas, shoot-em-up Westerns, football, Hollywood quiz shows and near-naked women appears to have worked. In November of last year Italian viewing statistics revealed that Canale 5 had a regular audience of more than 8m, topping RAI Uno, the state network, which had 7.3m viewers. Italia Uno, the other Berlusconi station, came third nationally, with around 4m viewers. This is impressive in a country where there are usually more than 20 television stations in any medium-sized city.

Berlusconi makes no apologies about his approach, which has been criticised as an invasion of the worst of American commercial television culture. In his pursuit of U.S. programming he has spent $60m over the past three years. "Let's face it," he says with a broad smile, "we know that to compete on Sunday nights with RAI we need a spectacular show with girls who have large, well, you know whats."

Berlusconi denies having any political views, despite his involvement in the conservative Il Giornale newspaper. He employs Stefania Craxi, the daughter of the Prime Minister, Bettino Craxi, at Canale 5 and one of his companies prints the left-leaning La Repubblica newspaper. "I am not political. I sell Coca-Cola," notes the ebullient Berlusconi.

What about profitability then? Berlusconi leans across the oversized mahogany table in his two-storey office and says of private television: "This is a car which consumes lots of money." He will say only that Canale 5's pre-tax profits represent 5 per cent of turnover, or about Lire 25bn (just over £1m). What is the net worth of his financial empire? "I have never thought of its value. I am too busy, you see. I have no time for myself. I'm in a war, on a battlefield. I have to concentrate. I think about programming in the middle of the night and during the day I look for advertisers."

A busy man indeed. But critics in Milan say he is a man whose name was not known 15 years ago and may not be known 15 years hence. "In Italy," says one old-time Milanese, "a man may seem like God today and then in two months—you never know."

A great deal of the criticism sounds like, and is in fact, sour grapes. But Italy seems to breed radical new entrepreneurs who arrive in a flash and build up vast holdings. Berlusconi is determined that, having become one of them, he will remain on the scene.

BUSINESS PROBLEMS

BY OUR LEGAL STAFF

Transfer of a business and retirement relief

THE answers to queries under the headings "Transfer of a business" on January 25 and "Retirement relief" on February 15 were not entirely correct. In trying to make our reader (and his solicitor) in each case stop and reconsider their plans we inadvertently presented them with a non-existent stumbling block.

We did not mention the implications of McGregor v Adcock for reasons of space and because it had been touched upon in the October reply to which we referred. We hoped that the solicitor, at least, would look back at the FT of October 5 and think again.

The main purpose of our reply, in the first case, was to warn that the grant of a half interest in the property, in anticipation of retirement and a transfer to the children must be vulnerable to attack on anti-avoidance principles (as must the second reader's scheme), albeit not under the express section 124 of the CGT Act 1979.

'Associated' companies

We are having problems with corporation tax because three small companies have been defined as "associated." by the Inspector of Taxes. We believe there may be different interpretations of the rules of "association," as tax guides give a different opinion from our local inspector.

In establishing the rate of corporation tax the inspector maintains that company X is "associated" with Y and Z. We were advised some time ago that the 500 shares in company X owned by Mrs A's son (stepson of Mr A) would not count as "family owned," particularly as Mrs A does not hold shares in that company (although she is a director).

If these shares do not count this would remove control of company X from the family. Alternatively the 600 shares held by one of Mr and Mrs A's daughters may not count.

As company X makes profits up to the limit of small company's rate, the "association," in dividing the allowance by three, has a significant effect on the rate of Corporation Tax.

As there do seem to be inconsistencies between inspectors on this point your opinion may be of value to other small companies (if only to warn them of the dangers of "association"!)

On the facts outlined, the inspector appears to be right. The companies' accountants are best placed to advise you, because they know the full background facts, as well as the law (in section 95(4) of the Finance Act 1972 and sections 302 and 303 of the Income and Corporation Taxes Act 1970).

With anti-avoidance provisions as intricate as these, it is not surprising that inspectors' practice varies. An incoming inspector may well decide that his predecessor was mistaken in past years, and seek to reopen matters thought to have been settled.

Retention monies

I read with interest your reply of January 25 with regard to liquidation and retention monies. We are currently trying to obtain payment of the retention money on a contract where the main contractor has passed into liquidation. We are the successors to a nominated sub-contractor on the RIBA form of nominated sub-contract. The receivers, who are acting for Barclays Bank, are arguing that unless the interest is registered there is no requirement for the receiver to make payment of retentions. This is in complete contradiction to your answer and to our previous experience. I am also sure that most nominated sub-contractors to a main contractor are of the opinion that at least the retentions are secured.

It would appear that this opinion is now being challenged. I am advised by our solicitors that we have a solid case against the receivers, but as we are only claiming just over £800, if we pursued the matter in court, the costs, if our case is proven, would not cover the amount due.

Unfortunately this type of situation occurs many times and with limited financial resources, sub-contractors such as ourselves cannot press the matter through the courts. This situation will become established unless it is challenged in the courts. Unless this opinion is challenged by somebody, the other banks will follow this example being set by Barclays, and the limited protection that was thought to be established will be lost.

According to the advice we have received, it would appear that the main debenture holder is resisting any payment under trust of retentions unless a formal charge is registered in each case. This is totally impracticable, as it would be necessary when each contract is signed with a nominated sub-contractor, that sub-contractor will have to register a formal charge to protect its interest.

We agree with your observations, although it must be noted that the position in each case may depend on the facts which are particular to that case. The question whether a retention might constitute a registrable charge is sometimes a difficult one to resolve, but your solicitors will presumably have taken the stance that the retention is either a lien or a trust, and in either case not registrable.

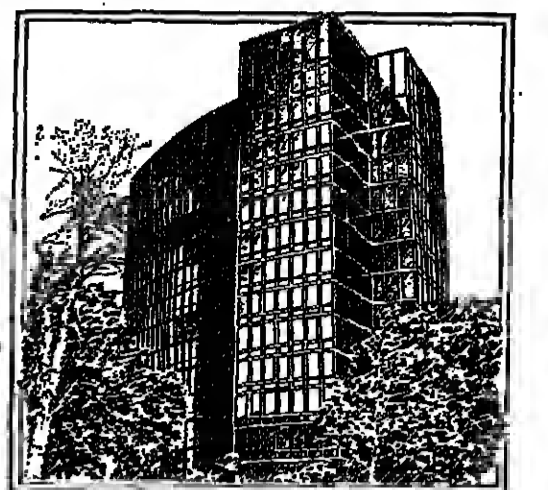
Solicitor's bill

During the negotiations to acquire a leasehold business, vendors failed to hand over documents in sufficient time to enable our solicitor to arrange for the old charge on the property at Companies House to be deleted and the new one to be registered within 21 days of our taking over the business as per company law. The net result was that a Court order had to be obtained to get the old charge deleted and the new one entered. Our solicitor has sent us an additional bill for £200 for the cost of this transaction. We feel disinclined to pay this. Should we?

It was for your solicitor to ensure that all the requisite documents were made available at the correct time. You should take the matter up with him and require him to show why he should not himself bear the extra cost—always assuming that you did not expressly instruct him to procure that the transaction was carried out in stages and so contributed to the loss.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

Conder International plc, Kingsworthy, Winchester



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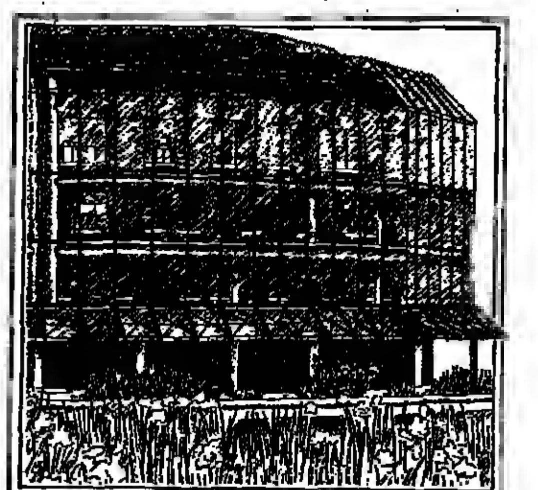

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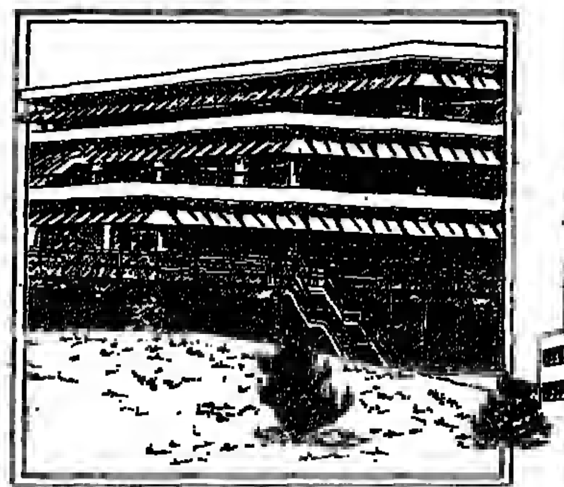

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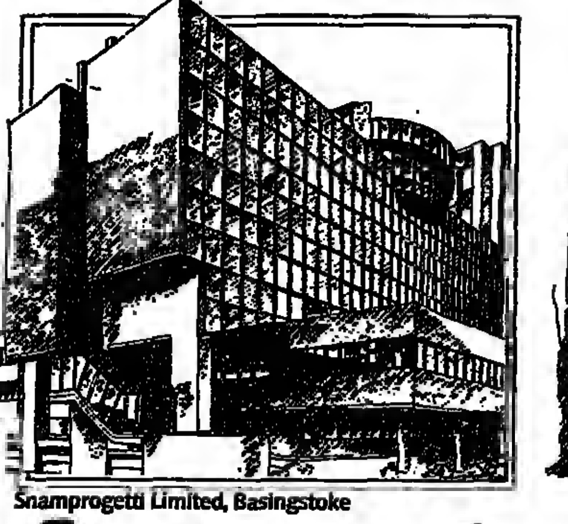

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PERSONAL FINANCIAL PLANNING

It is proposed to publish a survey on the above subject on Saturday, 28th April, 1984

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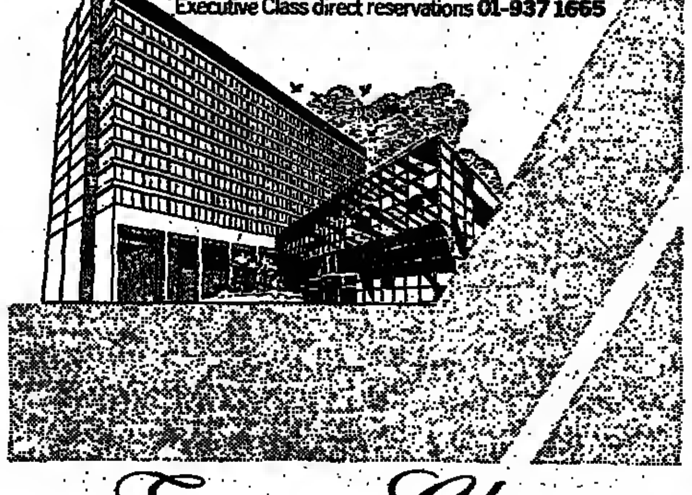

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SECTION III – INTERNATIONAL MARKETS
FINANCIAL TIMES
Wednesday March 14 1984

Sour turn for Caribbean fruit, Page 44

WALL STREET

Bulls come back into the open

HOPES that the Reagan Administration will take action to curb the federal deficit continued to boost stock prices on Wall Street yesterday, and analysts at several major hrokerage houses supported a prediction by Mr John Mendelson of Dean Witter Reynolds that both bond and stock markets are now poised for recovery, *writes Terry Byland in New York.*

The announcement by the Commerce Department of a small dip in retail sales last month was taken bullishly in the market, as an indiction that inflationary pressures may be slackening. Mr Preston Martin, vice-chairman of the Federal Reserve Board, reiterated his view that there are no signs of overheating in the economy.

Leading stocks opened higher and began to extend their gains towards mid-session. The Dow Jones Industrial closed 9.42 up at 1164.78.

The bond market turned higher at mid-morning after the Fed announced two-day system repurchase arrangements, which are sometimes a more reliable guide to Fed policy than repurchases on customer accounts. But market analysts decided that yesterday's repurchases, made when Fed funds were at 9⅝ per cent, were no more than technical aid to the market.

The stock market was given a lead hy IBM which added an early $1⅞ to $111½ on demand from the institutions. Among the block trades, Pan American featured prominently but remained unchanged at $6⅞.

Other issues to attract interest included General Electric, $1⅞ higher at $52, and Dresser Industries, $1 up at $20⅞.

The oil sector looked more subdued, with the market again unsettled by murmurs of criticism in Washington of the huge sums paid for energy reserves in the U.S. by Texaco, Standard Oil of California and now Mobil.

Gulf Oil remained at the head of the market's list of active stocks, but fell a further $1¼ to $65, the substantial discount to the Socal bid price, indicating the market's concern about possible anti-trust problems. Gulf Canada, in which U.S. Gulf has a major stake which Socal is expected to sell off, edged forward $⅛ to $28¼ on the American Stock Exchange.

Superior Oil at $38½ eased $⅛ as the arbitrageurs stepped back from the market to await the formal deal with Mobil.

The banking sector remained unsettled by doubts about debt negotiations with Argentina which have brought Latin American loan problems back into market focus. Citicorp, one of the most deeply involved U.S. banks in Argentina, shed a further $⅛ to $34⅞.

A firm spot among the entertainment issues was Walt Disney, $2⅜ higher at $38¼ – the stock has been recommended by more than one hrokerage analyst for its growth prospects.

On the American Stock Exchange technology and computer issues found huyers. Wang Laboratories shaded down $⅛ to $26¼ but there was demand for Tie Communications, $1½ bigber at $20⅝, and for Amdahl, $⅜ up at $16⅝.

The bond market opened higher, drawing encouragement from Mr Mendelson's prediction that a "major rally" was imminent.

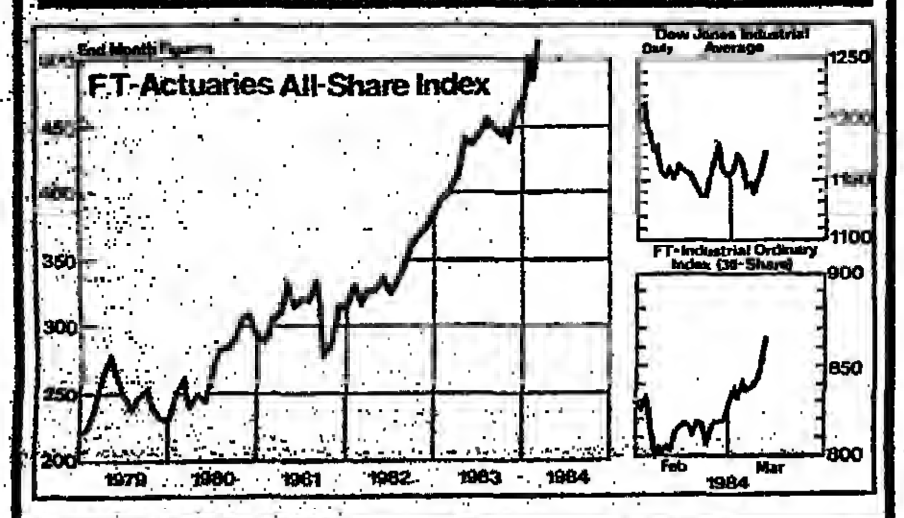
Dealers reported some retail investment interest in the morning but this faded later and prices began to turn lower.

The key long bond, the 12 per cent of 2013, touched 97 7/32 briefly before slipping to 96 7/32, a net ½ point off and yielding 12.44 per cent.

Trading was subdued in the Treasury bill markets but rates remained at the high levels established in the past fortnight. The weekly auction on Monday evening brought further gains of 13 basis points in rates hut the market was slow to follow yesterday.

The three-month bill at a 9.34 per cent discount was one basis point up on overnight, and the six-month bill at 9.51 per cent was two basis points down.

KEY MARKET MONITORS



STOCK MARKET INDICES

	March 13	Previous	Year ago
NEW YORK			
DJ Industrials	1164.78	1155.36	1117.74
DJ Transport	511.21	510.06	503.34
DJ Utilities	128.25	128.35	126.98
S&P Composite	157.74*	156.34	151.24
LONDON			
FT Ind Ord	665.0	644.1	573.5
FT-SE 100	1082.5	1063.6	
FT-A All-share	503.64	503.64	421.13
FT-A 500	541.66	541.86	455.82
FT Gold mines	693.4	697.9	587.0
FT-A Long gilt	10.01	10.02	10.70
TOKYO			
Nikkei-Dow	10194.76	10086.54	8061.44
Tokyo SE	806.80	796.46	593.75
AUSTRALIA			
All Ord.	719.00	719.10	515.40
Metals & Mins.	495.10	495.50	477.30
AUSTRIA			
Credit Aktien	55.19	55.28	51.80
BELGIUM			
Belgian SE	142.69	142.69	109.79
CANADA			
Toronto Composite	2407.30*	2389.60	2163.80
Montreal Industrials	423.79*	425.97	368.20
Combined	407.55*	405.50	359.81
DENMARK			
Copenhagen SE	188.90	188.97	120.04
FRANCE			
CAC Gen	160.50	159.90	110.50
Ind. Tendance	103.30	102.90	68.40
WEST GERMANY			
FAZ-Aktien	344.00	341.10	280.38
Commerzbank	1006.70	998.80	844.40
HONG KONG			
Hang Seng	1068.24	1069.74	1032.80
ITALY			
Banca Comm.	217.24	218.14	205.46
NETHERLANDS			
ANP-CBS Gen	159.60	160.50	116.50
ANP-CBS Ind	131.70	131.90	101.60
NORWAY			
Oslo SE	250.41	250.34	147.59
SINGAPORE			
Straits Times	1004.70	1012.21	837.22
SOUTH AFRICA			
Golds	n/a	1026.30	790.70
Industrials	n/a	1044.30	834.10
SPAIN			
Madrid SE	116.94	118.33	108.74
SWEDEN			
J & P	1490.45	1484.36	1253.37
SWITZERLAND			
Swiss Bank Ind	362.30	362.20	309.60
WORLD	March 12	Prev	Year ago
Capital Int'l	n/a	181.80	163.90

GOLD (per ounce)

	March 13	Prev
London	$397.75	$397.75
Frankfurt	$397.25	$394.50
Zürich	$397.75	$397.25
Paris (fixing)	$397.56	$396.43
Luxembourg (fixing)	$397.25	$397.25
New York (March)	$398.50	$398.30

* Latest available figure

CURRENCIES

(London)	U.S. DOLLAR March 13	U.S. DOLLAR Previous	STERLING March 13	STERLING Previous
$	—	—	1.469	1.4525
DM	2.5715	2.605	3.78	3.785
Yen	223.1	225.1	328	327.25
FFr	7.9225	8.02	11.635	11.645
SwFr	2.123	2.153	3.12	3.13
Guilder	2.9045	2.941	4.27	4.2725
Lira	1597	1617	2345.5	2348
BFr	52.61	53.25	77.3	77.35
C$	1.26625	1.27875	1.86	1.8565

INTEREST RATES

	March 13	Prev
Euro-currencies (3-month offered rate)		
£	8⅝	9
SwFr	3¾	3⅞
DM	5⅞	5 15/16
FFr	16	15⅞
FT London Interbank fixing (offered rate)		
3-month U.S.$	10⅝	10¾
6-month U.S.$	10 11/16	10⅝
U.S. Fed Funds	9⅝*	9⅝
U.S. 3-month CDs	9.95	10.00
U.S. 3-month T-bills	9.34*	9.32

U.S. BONDS

Treasury	March 13* Price	March 13* Yield	Prev Price	Prev Yield
10⅝ 1986	99⅝	11.14	99⅝	11.14
11⅞ 1991	98⅝	12.13	98⅝	12.13
11.75 1993	97⅝	12.23	97¾	12.24
12 2013	97⅝	12.33	97½	12.34
Corporate				
AT&T				
10⅜ June 1990	92	12.25	92	12.25
3⅞ July 1990	68⅝	10.90	68⅝	10.90
8¾ May 2000	72⅝	12.80	72⅝	12.80
Xerox				
10⅞ March 1993	90⅝	12.45	90⅝	12.45
Diamond Shamrock				
10⅞ May 1993	88⅞	12.70	88⅞	12.70
Federated Dept Stores				
10⅜ May 2013	82⅝	12.90	82⅝	12.90
Abbot Lab				
11.80 Feb 2013	91⅞	12.90	91⅞	12.90
Alcoa				
12½ Dec 2012	92⅝	13.30	92⅝	13.30

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
March	67-31	68-06	67-29	67-28
U.S. Treasury Bills (IMM) $1m points of 100%				
March	90.88	90.88	90.85	90.84
Certificates of Deposit (IMM) $1m points of 100%				
March	90.03	90.05	90.01	89.99
LONDON				
Three-month Eurodollar $1m points of 100%				
March	89.33	89.37	89.28	89.27
20-year National Gilt £50,000 32nds of 100%				
March	110-10	110-20	110-13	110-12

COMMODITIES

(London)	March 13	Prev
Silver (spot fixing)	667.30p	668.80p
Copper (cash)	£1025.00	£1018.75
Coffee (March)	£2128.00	£2140.00
Oil (spot Arabian light)	$28.65	$28.70

TOKYO

Financials stay to the fore

THE OVERNIGHT rally on Wall Street pushed stock prices ahead almost across the board in Tokyo yesterday with buying interest centring on financial stocks, especially non-life insurances and industrials connected with new materials, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei-Dow market average jumped 108.22 to 10,194.76 – the record daily gain this year, surpassing the 108.03 rise on March 3. Volume increased sharply to 429.59m shares from the previous day's 272.83m.

Bank issues continued to attract buyers and advanced across the board. Sumitomo Bank, the first bank issue with a Y50 face value to top the Y1,000 mark on Monday, climbed a further Y70 to Y1,090. Other city banks followed, with Mitsubishi Bank rising Y34 to Y964, Fuji Bank Y27 to Y971 and Bank of Tokyo Y30 to Y470.

In terms of volume, however, non-life insurance issues overtook city banks. Taisho Marine and Fire Insurance added Y11 to Y272 and Sumitomo Marine and Fire Y7 to Y330. Gains were also posted by Sumitomo Trust and Banking, up Y70 to Y470, Mitsui Trust and Banking up Y41 to Y411, and Nomura Securities up Y20 to Y780.

The heavy buying of city bank and non-life insurance stocks came from European investors and domestic private investors also stepped up purchases of these issues.

Among new materials-related stocks Shin-Etsu Chemical, which produces semiconductors, rose Y100 to Y1,330 and Toshiba Ceramics Y60 to Y1,710.

Spurred by Monday's advance for Kanebo, synthetic fibre shares firmed on an improvement of the textile market. Kurabo gained Y16 to Y335, Nisshin Spinning Y24 to Y609 and Kuraray Y28 to Y282.

International populars rebounded from their slump. Sony added Y140 to Y3,670, reflecting its higher share prices on the U.S. market. Among other gainers were Matsushita Electric Industrial, up Y30 to Y1,820, Hitachi, up Y19 to Y869, and NEC, up Y20 to Y1,390.

Despite the confidence that has returned to Tokyo this week, unsettling factors remained – such as the record level of margin debts and the uncertain outlook for the yen against the U.S. dollar. Tokyo was thus heavily dependent on Wall Street's performance.

The bond market firmed. Activity dwindled sharply in the face of a deterioration in the U.S. bond market, but scattered buying by city banks and trust banks sent the yield on the benchmark 7.5 per cent long-term government bond due January 1993 slightly lower to 7.272 per cent from Monday's 7.295 per cent.

AUSTRALIA

OVERSEAS interest remained low in Sydney, with London investors' attention distracted by the UK budget and clarity absent on the direction of metal values.

CRA was one of the few firm metal miners with a 6 cent gain at A$5.32 as it denied taking a stake in a Klöckner unit in West Germany. BHP firmed 10 cents to an ex-rights A$13. MIM slipped 8 cents to A$3.27.

Allied Mills put on 10 cents to A$2.35 on its one-for-five scrip issue.

SOUTH AFRICA

ANNUAL results from De Beers, the diamond giant, prompted an initial 25-cent dip in its shares but an almost immediate rally to an unchanged close of R10.75.

Golds took heart from firmer bullion indications with Randfontein adding R4 at R194. Amgold put on R2 to R157.50, as did Anglo-American Coal at its far lower base of R30.

Industrial gains outpaced losses by about two to one.

LONDON

The budget brings a buying rush

EQUITIES surged to new records in London even ahead of the budget proposals yesterday, and resumed in stronger fashion still after the Chancellor of the Exchequer finished his speech.

Late trade became hectic as dealers were swamped with buying orders and, in virtual one-way traffic, leading shares shot higher to leave the FT Industrial Ordinary index 20.9 up at a best-ever 665.0. At 3pm the measure bad been only 7 points higher on the day.

Few equity sectors were left out of the surge but the phasing out of capital allowances cooled enthusiasm for big capital spenders including engineers.

The absence of a much-mooted "windfall" or credit tax sent retail banks soaring, but the abolition of life assurance premium relief put that sector under pressure.

Scattered profit-taking after the recent rise in gilts was well absorbed but quotations eased in a very quiet afternoon session and closed only fractionally harder on the day.

Chief price changes, Page 38; Details, Page 39; Share information service, Pages 40–41

EUROPE

Background turns more buoyant

THE ADVANCE seen in overnight trading on Wall Street and the sharp gains recorded in Tokyo provided a more buoyant background in many of the European centres yesterday.

Recent declines in share values in Frankfurt also provided the catalyst to tempt investors back into the market in search of bargains.

The Commerzbank index, which dipped to a four-month low on Monday, recovered the 1,000 level to end 9.9 ahead at 1,006.9.

A major East German order for Hoesch and Peine Salzgitter gave a boost to the steel sector. Hoesch added DM 5.80 to DM 116.30 while Thyssen rose DM 2.10 to DM 84.80.

Klöckner-Werke added DM 2 to DM 65.50 as CRA denied it had taken a major holding in the Maximilianhütte steelworks.

Most of the demand for steel issues was attributed to domestic institutions although some private investment has become apparent as the sector finds favour with analysts.

Elsewhere, Hochtief held steady at DM 500 after the construction group said it expected a higher 1983 dividend although prospects for the current year looked less promising.

Among insurances Allianz posted a strong gain, up DM 11 to DM 761 as it said that its evaluation of Armco's insurance operations would last several more weeks before a takeover decision could be made.

Engineerings benefited from a prediction from the industry association of a 3 per cent rise in production in 1984. Linde rose DM 3.50 to DM 370, GHH DM 3 to DM 144 and Mannesmann DM 3 to DM 139.50.

Bonds recorded small gains aided by the dollar's decline below DM 2.60 and the slightly higher close on Monday of New York bonds. The Bundesbank sold DM 78.1m of paper to balance the market, compared with its purchases totalling DM 65.3m in the previous session.

A firmer Paris was assisted by a ⅛ point cut in the call money rate to 12¼ per cent.

The highlight of the session was provided by Amrep, a privately owned oil company whose stock had not been traded since March 2 because of heavy selling after it reported a disappointing earnings performance in 1983.

As the market opened, buy orders flooded in and the stock was again suspended because of an order imbalance.

It was eventually quoted, however, at FFr 279 – down 54 per cent from its March 2 level of FFr 605.

Mail order retailer La Redoute added FFr 10 to FFr 1,084 as it announced a 10.6 per cent rise in consolidated net turnover in the year to February.

Recently depressed banks led an advance in Zurich with Bank Leu and UBS each adding SwFr 60 to SwFr 4,150 and SwFr 3,485 respectively. Financials also recovered from their downward trend of recent days.

Bonds ended quietly mixed with operators reluctant to take new positions due to uncertainty over U.S. interest rates and the dollar's direction.

Uncertainty about the austerity measures planned hy the Government to trim the budget deficit left Brussels mixed.

Market leader Petrofina advanced BFr 30 to BFr 7,160 while Sofina, the investment holding company, fell BFr 10 to BFr 5,720 despite its plans to raise its dividend for 1983.

In the chemicals sector, Solvay rose BFr 30 to BFr 3,760 in continued reaction to its announcement that it would pay an "at least" unchanged dividend for 1983.

Arms manufacturer Fabrique Nationale shed BFr 15 to BFr 2,215 ahead of its announcement of a doubling in net profits for 1983.

Shares slipped back from a firmer opening in Amsterdam as private investors in particular moved to the sidelines awaiting a further lead from Wall Street.

Publisher Elsevier, which was the morning's biggest winner with a Fl 5.40 rise to Fl 540, later fell back to end just 40 cents up on the day at Fl 535.

In electricals Philips held steady at Fl 48 as the West German Cartel Office imposed conditions on its proposed deal with Grundig.

Bonds eased in thin trading ahead of today's payment date for the most recent state bond issue.

In Milan shares ended mixed in dull end account trading. Retailer Rinascente rose L1 to L466 in response to its higher profit and dividend for 1983.

Banks and electrical instrument manufacturers led an easier tone in Madrid while in a firmer Stockholm, Cardo – the sugar, seeds and biotechnology group – fell SKr 15 to SKr 505 in continued response to Monday's results.

SINGAPORE

TURNOVER picked up slightly in Singapore hut buying enthusiasm remained uninspired by the firmer New York tone. With declines outnumhering gains by three to one the Straits Times industrial index approached the 1,000 threshold with a 7.51 dip to 1,004.70.

Multi-Purpose, again the most active, shed a further 2 cents to S$2.06 as its chairman resigned to enter politics. It was followed in volume hy United Overseas Land, off 7 cents to S$2.48 on a reconsideration of its results last week. Selling of UOL was reported out of London.

Supreme Corporation managed a 5-cent rise to S$1.95.

HONG KONG

DOMINATING Hong Kong trading was the profits statement due from Hongkong and Shanghai Bank after the close. Ahead of this the bank's shares firmed 10 cents to HK$9.05 and the Hang Seng index eased 1.5 to 1,068.24, with dealings light.

Hongkong Land dipped 5 cents to HK$3.85 and Jardine Matheson 20 cents to HK$12.90.

Evergo, after placing 25m shares in London at HK$4, fell 50 cents to HK$3.85.

CANADA

BETTER metal prices combined with the more confident mood in New York to take Toronto stocks decisively higher, with base metals and minerals in the lead. Golds and oil and gas issues followed behind hut were still stronger.

The Montreal picture, also firmer overall, favoured both banks and industrials. Utilities were more selectively sought while the papers sector was flat.

Sime Darby

Sime Darby Group

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 31ST DECEMBER 1983

	Year to 30th June 1983 M$ Million	Six Months to 31st December 1983 M$ Million	Six Months to 31st December 1982 M$ Million
PROFIT BEFORE TAXATION	111.1	97.0	61.2
PROFIT AFTER TAXATION	69.2	53.7	36.9
EARNINGS	55.4	36.6	27.1
EXTRAORDINARY PROFITS	75.2	7.3	63.7
GROUP PROFIT ATTRIBUTABLE TO SIME DARBY BERHAD	130.6	43.9	90.8
	M. Sen	M. Sen	M. Sen
EARNINGS PER SHARE	7.4	4.7	3.8
DIVIDENDS PER SHARE – NET	6.5	2.4	2.4

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
20¼	10½	AAR	.44	2.3	22	88	[illegible]	[illegible]	[illegible]	−⅛
52⅛	30½	ACF	1.40	3.0	566	112	47⅛	46⅞	45⅞	
18⅝	[illegible]	AMF	.50	3.5		266	14	12¾	13⅝	
41⅞	23⅝	AMR Cp			7	11590	33½	32	32⅝	+½
20⅞	16½	AMR	pf2.18	12		25	13⅝	18⅛	18⅛	−⅛
41½	27⅝	AMR	pf2.13	9.1		319	35	34½	34½	+⅛
26½	23⅝	ANR	pf2.67	11		1	24¼	24¼	24¼	−⅛
19⅞	5⅛	APL			3	23	10½	10⅛	10⅝	−⅛
56¼	40¼	ARA	2.06	4.6	10	338	45	44	45	+1⅛
77⅞	50¼	ASA	3a	4.6		627	66½	65⅛	65¼	−⅛
33¼	14⅝	AVX	s .32	1.4	23	229	22¼	22	22¼	+⅛
53¼	35⅝	AbtLab	1.20	2.9	15	3497	42⅝	41½	41⅞	−⅛
30⅛	23¼	AccoW	n .60	2.3	17	58	26¼	25⅞	25⅞	+⅛
27½	17⅝	AcmeC	.40	1.8		324	21⅝	21	21⅞	+⅝
13	8⅝	AcmeE	.32b	3.1	65	10	10⅝	10⅜	10⅜	
24⅞	12⅛	AdmDg	.04	.3	12	466	15	14⅞	15	+⅛
18⅛	15⅛	AdaEx	2.11e	13		113	15⅛	15½	15⅛	
10⅛	7⅝	AdmMl	.28	1.6	9	28	18	17⅝	18	
22	12⅛	AdvSys			15	25	17¼	16⅞	17¼	+⅛
18⅝	8⅞	AdvesI	.12	1.1	10	117	11⅛	11½	11⅛	+⅛
37⅞	15½	AMD	s		37	6674	30¼	29⅝	30	+⅛
24⅞	12½	Aeflx	s		14	2	14⅝	14⅝	14⅝	
43½	33¼	AetnLf	2.64	7.6	11	2927	35	34¼	34⅝	−⅞
52⅞	54⅝	AetL	pf5.28e	9.5		1267	30¼	55½	55¼	+1½
40½	20	Ahmns	1.20	5.3	6	2074	23½	22⅞	22⅞	+⅝
7⅛	3	Aileen				309	4⅝	3⅞	4	+⅛
51	36½	AirPrd	1	2.4	11	637	42½	41⅞	41⅞	+⅛
30⅞	13	AirbFrt	.60	2.8	14	45	23	22⅝	22⅞	−⅛
3⅛	1⅛	AlMoa	s		27	66	3⅛	3	3	
23½	29½	AlaP	pfA3.92	13		25	29⅞	29⅝	29⅝	−⅛

Continued on Page 37

AMERICAN STOCK EXCHANGE COMPOSITE PRICES

Prices at 3pm, March 13

[illegible]

Continued on Page 38

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 36

[illegible]

X–Y–Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
52½	38⅝	Xerox	3	7.5	9	3231	40⅞	40	40¼	+¼
53⅝	47½	Xerox	pf5.45	11		30	47⅛	47½	47⅝	
37	21⅜	XTRA		2.5	13	422	25⅞	25⅛	25⅝	+⅛
34	23	ZaleCp	1.28	4.6	11	4	27⅝	27⅛	27½	+⅛
21⅞	14⅞	Zapata	.84	4.0	11	2535	21	20½	20¾	+¼
52¾	31¼	Zayre	.4	.30 8	10	1002	36½	35	35¾	+1¼
38⅝	15⅝	ZenithR			12	2529	29⅜	26¾	28	+1¾
27⅞	13¼	Zero	e.36	1.6	19	26	20¾	20	20½	+½
37½	22½	Zurn	1.32	5.2	11	63	25½	25⅛	25¾	+¼

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–when distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

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Effective January 3 1984

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Commercial & Industrial Property	8.50	33.00
Residential Property	7.50	25.00
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Business, Investment Opportunities	9.50	33.00
Business for Sale/Wanted	9.50	33.00
Personal	7.50	25.00
Motor Cars	7.50	25.00
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Continued on Page 37

WORLD STOCK MARKETS

CANADA

DENMARK

NETHERLANDS

AUSTRALIA

JAPAN (continued)

FRANCE

NORWAY

SPAIN

HONG KONG

GERMANY

SWEDEN

SINGAPORE

JAPAN

AUSTRIA

BELGIUM/LUXEMBOURG

SWITZERLAND

ITALY

SOUTH AFRICA

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

OVER-THE-COUNTER

Nasdaq National Market 3pm prices

Continued on Page 46

LONDON

Chief price changes
(in pence unless otherwise indicated)

RISES

Akroyd & Smithers	520	+30
Allied-Lyons	163	+9
Assoc. Dairies	166	+12
Barclays Bank	575	+25
Burton	253	+17
Bowater	266	+15
Chubb	172	+7
Crystalate	278	+12
Dowty	144	+10
Expamet Int'l	92	+6
Garfunkels Rests.	223	+18
Glaxo	870	+40
Goodman Bros	18½	+4½
Grand Metropolitan	316	+20
Greenall Whitley	144	+11
Hogg Robinson	206	+18
ICI	592	+14
Lloyds Bank	620	+27
Logica	405	+35
Marks & Spencer	253	+14
Rolfe & Nolan	230	+20
Resco	192	+11
Ward Hldgs.	136	+15
Anglo-Am Coal	£17	+£1½

FALLS

Barratt Devs.	152	−10
Equity & Law	715	−38
Legal & General	475	−21
Ldn. & Manchester Group	445	−37
Prudential	438	−28
Anvil Petroleum	83	−7

AMERICAN STOCK EXCHANGE PRICES

Continued from Page 37

CLASSIFIED ADVERTISEMENT RATES

	Per line (min. 3 lines) £	Single column cm (min. 3 cms) £
Commercial & Industrial Property	9.50	33.00
Residential Property	7.50	25.00
Appointments	10.00	34.50
Business, Investment Opportunities	9.50	33.00
Business for Sale/Wanted	9.50	33.00
Personal	7.50	25.00
Motor Cars	7.50	26.00
Hotels & Travel	7.50	25.00
Contracts & Tenders	9.50	33.00
Book Publishers	—	net 18.00

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Indices

NEW YORK-DOW JONES

	Mar 13	Mar 12	Mar 9	Mar 8	Mar 7	Mar 6	1983-84 High	1983-84 Low	Since Compilat'n High	Since Compilat'n Low
Industrials	1164.78	1155.36	1139.76	1147.89	1143.53	1152.53	1286.64 (6/1)	1134.21 (22/2)	1287.2 (29/11/83)	41.22 (2/7/32)
Transport	511.21	518.88	498.46	502.57	489.16	507.72	612.63 (6/1)	494.62 (23/2)	612.63 (6/1/84)	12.23 (8/7/32)
Utilities	126.25	126.36	125.92	126.93	126.66	127.84	134.83 (6/1)	123.7 (23/2)	163.32 (20/4/69)	10.95 (28/4/42)
Trading vol 1000's	10265	—	—	—	9808	—	—	—	—	—

	Mar 9	Mar 2	Feb 24	(Year Ago Approx)
Ind div yield %	4.88	4.71	4.73	4.88

N.Y.S.E. ALL COMMON

Mar 13	Mar 12	Mar 9	Mar 8	1983-84 High	1983-84 Low
—	—	—	—	442.82 (1/5)	79.78 (2/1)

RISES AND FALLS

	Mar 13	Mar 12	Mar 9
Issues traded	981	1959	1917
Rises	37	928	558
Falls	586	628	951
Unchanged	424	483	408

STANDARD AND POORS

	Mar 13	Mar 12	Mar 9	Mar 8	Mar 7	Mar 6	1983-84 High	1983-84 Low	Since Compilat'n High	Since Compilat'n Low
Industrials	177.13	176.63	174.16	174.85	174.28	178.24	188.64 (6/1)	174.1 (22/2)	193.22 (27/8/83)	3.52 (30/6/32)
Composite	156.78	156.34	154.35	—	154.57	158.25	169.28 (6/1)	154.29 (23/2)	178.98 (22/6/83)	4.4 (1/6/32)

	Mar 7	Feb 22	Feb 29	Year Ago (Approx)
Ind div yield %	4.85	4.88	4.81	4.24
Ind. P/E Ratio	11.81	12.58	12.82	13.11
Long Gov Bond Yield	12.15	11.88	11.88	10.56

MONTREAL

	Mar 13	Mar 12	Mar 9	Mar 8	1983-84 High	1983-84 Low
Industrials	428.27	425.97	424.8	428.25	461.4(6/1)	412.87(21/2)
Combined	405.87	405.85	404.4	408.84	433.87(6/1)	397.88(21/2)
TORONTO Composite	—	—	—	—	2585.7(6/1)	2488.8[illegible]

S.S. INDICES: CLOSING VALUES. YESTERDAY'S CANADIAN INDICES: LATEST AVAILABLE

WORLD ECONOMIC INDICATORS
every Monday in the Financial Times

LONDON STOCK EXCHANGE

Equities boom on Budget proposals to leave index 20.9 up at best-ever 865.0

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Feb 27	Mar 8	Mar 9	Mar 19
Mar 12	Mar 22	Mar 23	Apr 2
Mar 26	Apr 5	Apr 6	Apr 16

* "New-time" dealings may take place from 9.30 am two business days earlier.

London equities surged to new records awaiting the Budget proposals and resumed in even stronger fashion after the Chancellor had finished his speech yesterday. The immediate halving of stamp duty and the staged annual reductions in Corporation Tax were particularly welcomed among measures deemed certain to stimulate industry and investment initiative. Late trade became hectic with dealers swamped with buying orders and, in virtually one-way traffic, leading shares shot higher to leave the FT Industrial Ordinary share index 20.9 up at a best ever 865.0; at 3 pm, the measure had been only 7 points higher.

Few equity sectors were left out of the upsurge, but the Chancellor's phasing out of capital allowances cooled enthusiasm for big capital spenders including Engineers and British Aerospace. The absence of a much mooted "windfall" or credit tax sent clearing banks soaring but the abolition of Life Assurance Premium Relief, which was surprising despite recent speculation, put Life insurers under extreme pressure.

Earlier yesterday investors had looked forward to lower UK interest rates. The hoped-for further small reduction in UK money rates failed to materialise, but optimism over cheaper money sometime this week continued. Equity interest showed no sign of slackening ahead of the Budget, but business in Government securities did.

The latter market was active initially with the authorities called upon to supply the new tap stock, £40-paid Exchequer 10 per cent 1989 "A"; the Government broker sold stock at 40½ and then withdrew. Scattered profit-taking after the recent rise was well absorbed but quotations eased in a very quiet afternoon session and closed only fractionally harder on the day. Partially owing to the length of the Budget speech, dealers were reluctant to make late quotations, but the market was expected to open firmly today.

Life Insurances fall

The withdrawal of tax relief on all new policies demoralised Life Insurances. Earlier gains of around 18 were immediately replaced by substantial falls which ranged to 38 by the close. Equity and Law finished that much lower at 718p, after 760p, while London and Manchester plummeted 37 to 445p, after 480p. Prudential lost 28 to 420p, after 478p. Legal and General declined 21 to 475p, after 470p, and Britannic sustained a fall of 20 at 425p. Refuge, which had touched 425p on the satisfactory results, reacted to close unaltered at 405p. Elsewhere, Hogg Robinson remained a buoyant market among Lloyds Brokers, closing a further 12 up at 206p; sentiment was helped further by the announcement that Aitken Hume holds 9.5 per cent stake in the company, only a day after Mills and Allen had declared its near 10 per cent interest. Minet reflected U.S. takeover hopes with a gain of 4 to 150p, while Sedgwick gained 5 to 225p and Stewart Wrightson 7 to 317p.

The Chancellor's decision not to impose a special "profits" tax on the sector prompted a late upsurge in the major clearing banks. Barclays closed with a gain of 25 at 575p, Lloyds jumped 27 to 620p and NatWest rose 20 to 715p. Midland, however, failed to fully participate and ended only 7 higher at 405p.

Both newcomers to the Unlisted Securities Market made sparkling debuts. CPS Computer, which sells IBM computer equipment in the UK, opened at 186p and moved up to 205p before settling at 173p compared with the placing price of 67p. Platon International, a designer and manufacturer of fluid flow measurement equipment and control instrumentation, placed at 120p started at 149p and touched 150p prior to closing at 142p.

Breweries expressed relief over the much smaller-than-anticipated excise duty increases. Although the leaders closed below the best, double-figure gains were commonplace occurring in Gazed Metropolitan, 18 better at 314p, after 318p, and Bass, 16 up at 341p, after 345p. Whitbread rose 10 to 156p and Allied-Lyons 9 to 163p. Regionals followed suit under the lead of Greenall Whitley, 11 higher at 144p, while similar gains were noted in Vaux, 220p, and Wolverhampton and Dudley, 244p. Elsewhere, Arthur Bell, 165p, and Distillers, 264p, rose 10 and 8 respectively. Ciders, nervous in the early trading, also displayed pleasure at a mere 3p per pint duty increase and H.P. Bulmer, down to 200p at one stage, rallied smartly to close a net 7 dearer at 217p. Merrydown firmed 5 to 430p, after 415p.

Most major Building issues took a modest turn for the better following the Chancellor's proposals, but Barratt Developments still closed a net 10 down at 152p in the wake of disappointing preliminary results. Elsewhere, Ward Holdings continued to respond to newsletter comment and gained 15 more to 136p, while news of an Egyptian contract worth some £84m left F.J.C. Lilley 5 dearer at 90p. Revived bid speculation lifted Ibstock Johnsen 10 to 221p.

ICI moved ahead late to close a net 14 higher at 598p. British Tar Products attracted further support and gained 6 to a 1983-84 peak of 79p, while buying ahead of the annual results, due on March 20, lifted Rentokil 7 to 130p. Wolstenholme Rink hardened 3 to 143p; the preliminary figures are due tomorrow.

Stores buoyant

The proposed abolition of the National Insurance surcharge and the cut in Corporation Tax rates prompted widespread buying of leading Retailers. Already a few pence to the good in the initial trading, prices moved ahead strongly to close with gains to 25. Gussies A advanced that much to 615p, while Marks and Spencer rose 14 to 253p. Barton, due to reveal interim results during the next Account, improved 17 at 253p, while Habitat Mothercare closed 16 higher at 330p. Secondary counters also closed around the day's best levels with Harris Queensway 14 up at 152p, MFI, 164p, and Home Charm, 142p, added 7 and 10 respectively. Mail-orders were wanted and gains of 8 were common to Grattan, 84p, and Empire, 92p. Among smaller-priced issues, Goodman Brothers were particularly firm, rising 4½ to 18½p in front of Friday's half-timer. Readicut International rose 3 to 30p on the announcement that Mr Joe Hyman now controls just under 7.5 per cent of the equity. Greenfields Leisure, on the other hand, eased a couple of pence to 31p following the annual deficit and reduced dividend.

Electricals were featured by a late upward burst in selected high technology stocks. Further buying ahead of the interim figures, due shortly, left Logica 35 dearer at 405p. CASE also stood out with a rise of 17 to 557p and gains of around 10 were recorded in United Scientific, 298p, Electrocomponents, 301p, and Farnell, 406p. Elsewhere, Crystalate featured with a rise of 12 to 270p pending news of the proposed sale of its fine china interests. Leading Electricals were only modestly higher, although late support lifted Thorn EMI 15 to 667p.

Leading Engineers failed to participate in the late advance. Interest was also inhibited by the pending announcements of preliminary results from both TI and GKN; the latter is due to report today and TI tomorrow. Afterhours' conditions were relatively subdued, too, in secondary stocks. IMI responded afresh to the annual results with a further rise of 2½ to 82½p, while Bullough, still reflecting recent acquisition news, advanced 18 further to 353p. Revived demand lifted RHP 3 to 57p. Smaller-priced issues to attract buyers included Johnson and Firth Brown, 3 higher at 18p, S.W. Wood, 4 dearer at 22p, and W.E. Norton, 2½ to the good at 18p.

Budget influences gave fresh impetus to an already-buoyant Food Retailing sector and the leaders closed with double-figure gains. Tesco rose 11 to 192p and Associated Dairies 12 to 166p, while J. Sainsbury advanced 10 to 495p. Argyll put on 6 to 175p and Bejam added 5 at 152p; the latter's interim results are due on March 15. Buyers also favoured Kwik Save, 6 higher at 182p, and William Morrison, 8 to the good at 198p. Elsewhere, late support lifted Tate and Lyle 8 to 398p and Unigate 3 to 129p. United Biscuits hardened a couple of pence to 147p awaiting tomorrow's preliminary figures, while Brooke Bond, also reporting tomorrow, gained the turn to 85p. Rowntree Mackintosh firmed 8p following good preliminary figures.

Hotels and Caterers to make good progress included Ladbroke, 8 higher at 248p, and Trusthouse Forte, 4 firmer at 222p. Midsummer Inns gained 5 to 155p; A.R. & B.J. Hoar has increased their stake to 23.1 per cent. The excellent preliminary results and 100 per cent scrip issue lifted Garfunkels Restaurants 18 to 223p.

Bowater feature

Bowater, 15 higher at 266p, featured the firm Miscellaneous Industrial leaders, rising sharply on revived takeover hopes in the wake of heavy overnight buying in New York. Glaxo continued to go from strength to strength, rising 40 afresh to 870p with demand still fuelled by recent reports of its anti-ulcer drug Zantac. Beecham put on 13 to 323p and Boots added 7 at 170p. Elsewhere, old bid chestnut Chubb revived with a rise of 7 to 172p, after 175p. Speculative buying also prompted gains of around 6 in Cole, 150p, Expamet, 92p, and Flexello Castors and Wheels, 54p. Bestwood moved up 16 to 188p and Photo-Me gained 20 to 640p in a restricted market. Hopes of early news of the sale of its Singer and Friedlander subsidiary left European Ferries 4 better at 91½p, while Granada "A" improved 11 more to 228p on further consideration of the chairman's optimistic statement at the annual meeting. Rolfe and Nolan found support at 230p, up 20, and Kean and Scott gained 3 to 53p; the latter's annual results are scheduled for today. After the previous day's jump of 15¼ on the 75p per share cash bid from Becker Trade Paint International, a wholly-owned UK subsidiary of AB Wilh Becker, Donald Macpherson hardened 1½ more to 85½p.

The Leisure sector provided a few firm features. Herrburger Brookes, makers of piano actions, jumped 13 to 51p following a revived demand in a restricted market. Aspinall moved up 8 to 143p and MAMs gained 7 to 149p.

Among Paper/Printings, Irish concern Clondalkin rose 20 to 145p following the good annual figures. Usher Walker benefited again from hopes of a bid from Munders and added a couple of pence more to 175p. Advertising agencies moved ahead with Saatchi and Saatchi rising 19 to 617p and Wight Collins Rutherford Scott gaining 15 to 375p. KCP firmed 5 to 230p and Geers Gross 3 to 108p, while Boase Massimi Pollitt rose 10 to 405p.

Firm at first in anticipation of further base rates cuts, leading Properties were unable to maintain momentum and came back quite sharply on profit-taking to close lower on balance. Land Securities, up to 294p initially, reacted to close a net 5 off at 285p, while MEPC settled 3 cheaper on balance at 288p, after 296p. Among secondary issues, Rush and Tompkins continued to attract speculative support and gained 6 more to 254p, while London and Provincial Shop rose 10 to 295p. Daejan firmed 5 to 197p, but Sterling Guarantee slipped 1½ to 51½p.

Textiles remained a relative backwater, although late support was evident for Courtaulds, 5 up at 136p.

The 10p per packet duty increase failed to unduly unsettle Tobaccos which closed with modest losses. Imperial finished 3 off at 143p, while Rothmans ended 4 lower at 124p.

Reflecting the major clearing bank's incursion into the London Stock Exchange, quoted stockjobbing concerns fared well among Financial Trusts. Akroyd and Smithers jumped 30 to 520p and Smith Bros improved 3 to 80p.

Late rally in Oils

Leading Oils were neglected initially and drifted easier before rallying strongly after the Budget proposals. Shell, due to announce preliminary figures tomorrow, closed a net 6 up at 641p, while BP, also reporting preliminary results on Thursday, recovered from an initial 425p to close 4 better on balance at 432p. Burmah edged up 2 to 187p. LASMO's results were considered satisfactory and the shares were finally a net 2 better at 306p. Ultramar, due to declare preliminary results today, closed a couple of pence easier at 700p.

On the exploration front, Anvil Petroleum dropped to 75p prior to rallying to close a net 7 cheaper at 83p following the disappointing drilling results from the company's latest well drilled in Fife. Pict Petroleum gave up 5 at 150p in the wake of the latest drilling results from the Alwyn appraisal well, which failed to come up to expectations. Ireland's Atlantic Resources were relatively quiet and closed a net 5 harder at 485p.

Teas met with selective support in the wake of steady demand at Monday's London auction. Assam Dooars stood out with a gain of 20 to 410p, while Moran added 15 at 460p. R.E.A., 290p, and James Finlay, 140p, both added around 5.

RTZ advance

Mining markets were overshadowed by the excitement generated by the Budget.

Leading UK Financials were modestly firmer in after-hours trading, led by Rio Tinto-Zinc, which moved up 11 to 674p while Charter Consolidated added 3 at 240p and *Gold Fields* 2 at 597p. Hampton Areas failed to respond to news of the flotation of its Australian interests and closed unaltered at 235p.

South Africans provided an active stock in De Beers which dipped to 604p on the full-year results before rallying to close a net 4 cheaper at 610p.

Other South Africans showed minor changes in either direction, reflecting the relative inactivity in precious metal markets. Easier at the outset of trading, prices staged a good recovery around midday but fell back in after-hours business on light U.S. profit-taking.

The Gold Mines index gave up 4.3 at 693.4, while bullion was finally unaltered at $397.75 an ounce.

Heavyweight Golds were notably vulnerable after-hours, losses of around a half-point being common to Buffels, £46½, St Helena, £27, and Libanon, £28½. Randfontein moved against the general trend, however, and closed with a £1½ gain at £109½.

Platinums showed good gains, with Lydenburg 10 firmer at a *year's best* of 655p and Rustenburg 5 harder at 875p.

Business in Australians remained at a low ebb. In the leaders *CRA* put on 6 to 350p but falls of around 5 were common to MIM, 215p, and Renison Dfd., 200p.

Speculative Golds provided a feature in Tunax Resources which moved up 3 to 80p reflecting its gold mining interests in the Coolgardie region of Western Australia.

Elsewhere, Consolidated *Murchison* made *further* progress and advanced 17 to a year's high of 950p in the wake of renewed support from Johannesburg.

Improved demand for Traded Options saw total contracts struck rise to 2,549. Tesco attracted reasonable support with 238 calls done, 190 in the March 150's. Courtaulds recorded *237 calls* with the *July 130's* proving popular with 140 trades struck, while operators also displayed enthusiasm for Commercial Union positions which attracted 250 calls and 60 puts.

FINANCIAL TIMES STOCK INDICES

	March 13	March 12	March 9	March 8	March 7	March 6	year ago
Government Secs	83.60	83.45	85.14	85.18	83.55	83.31	81.88
Fixed Interest	87.46	87.28	87.14	87.12	86.97	86.91	85.36
Industrial Ord.	865.0	844.1	840.0	837.7	835.4	841.0	673.0
Gold Mines	693.4	687.9	711.7	698.9	699.2	702.0	387.0
Ord. Div. Yield	4.26	4.30	4.38	4.40	4.41	4.37	4.72
Earnings Yld % (full)	9.13	9.36	9.42	9.44	9.46	9.38	10.04
P/E Ratio (net) (*)	12.24	12.93	12.64	12.80	12.78	12.89	12.04
Total bargains	22,420	24,603	24,010	23,503	20,217	22,858	24,213
Equity turnover £m.	—	237.00	317.49	278.51	268.65	244.51	226.87
Equity bargains	—	21,605	20,096	20,312	19,967	20,610	20,845
Shares traded (ml)	—	146.3	189.6	170.1	156.3	145.8	154.9

10 am 850.0 11 am 850.6 Noon 850.4 1 pm 850.4 2 pm 850.4 3 pm 851.1

Basis 100 Govt. Secs. 15/10/26. Fixed Int 1928 Industrial 1/7/35 Gold Mines 12/9/55. SE Activity 1974

Latest Index 01-246 8026.

*Nil = 12.43.

HIGHS AND LOWS / S.E. ACTIVITY

	1983/84 High	1983/84 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs	83.77	77.00	127.4 (9/1/35)	49.10 (3/1/75)
Fixed Int.	87.47	79.03	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	865.0	598.4	865.0 (13/3/84)	49.4 (26/6/40)
Gold Mines	734.7	444.6	734.7 (15/2/83)	43.0 (26/10/71)

	March 12	March 9
— Daily Gilt Edged Bargains	181.4	165.6
Equities Bargains	140.0	162.6
Value	479.0	641.7
5-day Average Gilt Edged Bargains	189.8	193.4
Equities Bargains	139.4	142.4
Value	544.1	571.9

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Anvil Petroleum	83	−7
Bowater	266	+15
Chubb	172	+7
Crystalate	270	+12
De Beers Dfd	610	−4
Hogg Robinson	206	+16
Pearl Assce	755	−13
P. and O. Dfd	310	+8
RTZ	674	+11
Rolfe and Nolan	230	+20
Sun Life Assce	370	−13
Ward Holdings	136	+15

MONDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Mon. close	Day's change
Macpherson D.	31	84xd	+15½
Sterley	19	295	+17
Glaxo	18	830	+25
Midland Bank	16	398xd	—
Our Price New	16	260	—
IMI	15	80	+5
Petranol New	15	210	+10
Ultramar	15	702	+10
Lister	14	77	+13
Lloyds Bank	14	593xd	−1
Applied Cmptr	13	155pm	+10
BP	13	428	+5
Fidelity	13	90	−33
Barclays Bank	12	550xd	+½

† Nil paid.

EQUITIES

Issue price p	Amount paid up	Latest Renunc. date	1983/84 High	1983/84 Low	Stock	Closing price p	+or−	Net Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1983/84 High	1983/84 Low	Stock	Closing price £	+or−
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue price p	Amount paid up	Latest Renunc. date	1983/84 High	1983/84 Low	Stock	Closing price p	+or−
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Renunciation date usually last day for dealing free of stamp duty. [illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	48	4	52
Corpns., Dom. and Foreign Bonds	11	1	56
Industrials	433	195	888
Financial and Props.	213	56	255
Oils	26	20	68
Plantations	[illegible]	[illegible]	[illegible]
Mines	[illegible]	[illegible]	[illegible]
Others	[illegible]	[illegible]	[illegible]
Totals	849	320	1,469

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Mar 5	Mar 16	June 14	June 25
Mar 19	Mar 30	June 28	July 9
Apr 2	Apr 13	July 12	July 23

For rate indications see end of Share Information Service

Money was given for the call of Caltus Pacific, Petranol, Hampton Gold Mining Areas, Amalgamated Estates, Fleet Holdings, Our Price Records, Combined English Stores, Bowniter, Sterling Guarantee Trust, Selincourt, Woodside, Johnson and Firth Brown, Chubb, Rock Darham, London Investment Trust, Readicut, UKO, AE, London and Liverpool, John Brown, Crosby Woodfield, Pict Petroleum, Micro Focus, Lyle Shipping, Blackwood Hodge, Barker and Dobson, Stockley, Barlow Holdings, RHP, Berkeley and Hay Hill Investments, Birmid Qualcast, Yelverton and Brunswick Oil. Puts were done in Petranol and De Beers Dfd., while doubles were taken out in Chubb and Combex.

NEW HIGHS AND LOWS FOR 1983/4

NEW HIGHS (189)

BRITISH FUNDS (10) LOANS (1) AMERICANS (1) BANKS (3) BREWERS (4) BUILDINGS (7) CHEMICALS (12) STORES (15) ELECTRICALS (26) ENGINEERING (11) FOODS (8) INDUSTRIALS (26) INSURANCE (1) MOTORS (1) NEWSPAPERS (4) PAPER (9) PROPERTY (11) SHIPPING (1) SOUTH AFRICANS (2) TEXTILES (3) OVERSEAS TRADERS (1) PLANTATIONS (1) MINES (3)

NEW LOWS (3)

BRITISH FUNDS (1) Treas. 2½pc I.L. '20 ELECTRICALS (1) Multitone Elect. OILS (1) Orbit

FT-SE 100 INDEX

Close 1082.3 (+18.9)
Day's high 1082.7
Day's low 1057.6
(Base value=1000 Dec 30, 1983)

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section

	Tues March 13 1984 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Mon March 12 Index No.	Fri March 9 Index No.	Thurs March 8 Index No.	Wed March 7 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (205)	[illegible]	+1.0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2 Building Materials (24)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 Contracting, Construction (34)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4 Electricals (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5 Electronics (34)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6 Mechanical Engineering (65)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8 Metals and Metal Forming (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9 Motors (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10 Other Industrial Materials (19)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21 CONSUMER GROUP (195)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22 Brewers and Distillers (23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25 Food Manufacturing (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26 Food Retailing (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27 Health and Household Products (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29 Leisure (23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
31 Newspapers, Publishing (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32 Packaging and Paper (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34 Stores (47)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35 Textiles (19)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
36 Tobaccos (3)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
39 Other Consumer (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 OTHER GROUPS (64)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Chemicals (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
44 Office Equipment (5)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Shipping and Transport (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
46 Miscellaneous (49)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 INDUSTRIAL GROUP (464)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51 Oils (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59 500 SHARE INDEX	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61 FINANCIAL GROUP (121)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Banks (6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
63 Discount Houses (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65 Insurance (Life) (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Insurance (Composite) (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67 Insurance Brokers (6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Merchant Banks (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 Property (53)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 Other Financial (18)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Investment Trusts (106)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
81 Mining Finance (4)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
91 Overseas Traders (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99 ALL-SHARE INDEX (746)	[illegible]	+1.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST

PRICE INDICES	Tues March 13	Day's change %	Mon March 12	xd adj. today	xd adj. 1984 to date
British Government 1 5 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2 5-15 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 Over 15 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4 Irredeemables	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5 All Stocks	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6 Debentures and Loans	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 Preference	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AVERAGE GROSS REDEMPTION YIELDS	Tues March 13	Mon March 12	Year ago (approx.)
British Government 1 Low Coupons 5 years	[illegible]	[illegible]	[illegible]
2 15 years	[illegible]	[illegible]	[illegible]
3 25 years	[illegible]	[illegible]	[illegible]
4 Medium Coupons 5 years	[illegible]	[illegible]	[illegible]
5 15 years	[illegible]	[illegible]	[illegible]
6 25 years	[illegible]	[illegible]	[illegible]
7 High Coupons 5 years	[illegible]	[illegible]	[illegible]
8 15 years	[illegible]	[illegible]	[illegible]
9 25 years	[illegible]	[illegible]	[illegible]
10 Irredeemables	[illegible]	[illegible]	[illegible]
11 Debs & Loans 5 years	[illegible]	[illegible]	[illegible]
12 15 years	[illegible]	[illegible]	[illegible]
13 25 years	[illegible]	[illegible]	[illegible]
14 Preference	[illegible]	[illegible]	[illegible]

†Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

EUROPEAN OPTIONS EXCHANGE

Series	May Vol.	May Last	Aug Vol.	Aug Last	Nov. Vol.	Nov. Last	Stock
GOLD C $375	[illegible]	53	—	—	—	—	$397.60
GOLD C $400	[illegible]	10	8	27	—	—	"
GOLD C $425	[illegible]	0.40	68	18.30	10	83	"
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOTAL VOLUME IN CONTRACTS 10,189

A=Ask B=Bid C=Call P=Put

LONDON TRADED OPTIONS

Option	Calls Apr.	Calls July	Calls Oct.	Puts Apr.	Puts July	Puts Oct.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Mar. 13. Total Contracts, 2,549. Calls 1,860. Puts 689.

* Underlying security price.

Top Management 1st Group 1983

Money Management, February 1984

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FT LONDON SHARE INFORMATION SERVICE

BRITISH FUNDS

1983-84 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
104½	100⅛	Exchequer 14pc 1984	100⅞	.....	13.88	9.12
98⅞	92½	Exch. 3pc 1984	98⅞	–⅛	3.05	9.86
102⅞	100⅞	Treasury 12pc 1984	101½xd	.....	11.82	9.02
107⅞	104⅞	Treasury 15pc 1985	105⅛	+⅛	14.27	9.14
107	101⅛	Exch. 12pc Cnv. '85	102⅞xd	+⅛	11.68	9.17
94⅝	88⅝	Treasury 3pc 1985	93¼	.....	3.20	8.64
102⅝	99⅝	Treasury 11½pc 1985	102⅝	.....	11.21	.33
102	95	Treas 8¼pcCnv '85	99⅞	+⅛	8.81	9.20
104⅛	100⅛	Exch. 12¼pc 1985	104⅛	.....	11.76	9.46
103⅞	99⅞	Exch. 11¾pc '86	103⅞	.....	11.32	9.54
102¼	47	Treas 10pc Cnv 1986	102⅛xd	+¼	9.77	8.78
90¾	85	Treasury 3pc 1986	88⅞	.....	3.39	8.94
102	97⅛	Exch. 10½pc Cv '86	101⅞	.....	10.31	9.51
104⅞	100⅛	Treasury 12pc '86	104⅞	.....	11.52	9.83
98¼	94⅝	Treasury 8¼pc '84-86‡‡	97⅞	+⅛	8.68	9.52
109⅞	105⅞	Exch. 14pc 1986	108⅞	–⅛	12.90	10.16
87⅛	84½	Exch 2½pc 1986	85⅛	.....	2.91	8.67
107¼	103⅝	Exch. 13¼pc 1987	107½	–⅛	12.33	10.19
100⅞	95⅞	Treas 10¼pc Cnv '87	100⅞	+¼	10.16	9.87
86⅛	80¼	Exchequer 2½pc 1987	83⅞	.....	2.98	0.82
101⅞	95⅞	Exch. 10½pc 1987	101⅞xd	.....	10.38	10.05
93¼	88⅛	Funding 6½pc '85-87‡‡	91½	+¼	7.10	9.71
99⅝	96	Treas 10pc 1987	99⅝	.....	10.04	10.10
86	80¼	Treasury 3pc 1987	82⅞	+¼	3.63	9.07
104⅞	99⅝	Treas 12pc 1987	104¼	.....	11.46	10.37
94⅞	89½	Treasury 7¾pc '85-88‡‡	93⅞	+¼	8.26	9.67
101½	95½	Exch 10½pc '88	100⅝	.....	10.43	10.30
98⅞	95⅞	Treas 9¾pc Conv '88	98⅞	.....	9.90	10.18
82	75¼	Transport 3pc '78-88	80¼	.....	3.74	8.58
96⅛	90⅛	Treas. 9½pc '88	96⅞	.....	9.84	10.44
106¼	95¼	Treasury 11½pc 1989	104	+⅛	11.06	10.43
		Five to Fifteen Years				
103	94¼	Treas 10½pc 1989	103	.....	10.46	10.38

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH AND AFRICAN LOANS

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Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

CANADIANS

BANKS, H.P. AND LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY—Continued

ELECTRICALS

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ENGINEERING—Continued

FOOD, GROCERIES, ETC.

HOTELS AND CATERERS

HOTELS—Continued

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INDUSTRIALS—Continued

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TRUSTS, FINANCE, LAND

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PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Finance

Diamond and Platinum

Central African

International Financier

DAIWA SECURITIES

MINES—continued

Australians

—	—	35	11	Balmoral Res	32	-2	—	—
—	—	60	29	Black Hill Mins	33	-1	—	—
—	—	104	51	Bond Corp	98	..	010c	0.7
—	—	183	116	Bougainville I Kina	162	-1	015.56c	ϕ
—	—	396	204	CRA $2	350	-6	012c	ϕ
—	—	145	60	Carr Boyd 20c	82	-1	—	—
—	—	44	25	Central Kalgoorlie	33	-2	—	—
0.8	9.1	43	18	Central Pacific	22	..	—	—
—	—	9	2¾	Cons Gold Mng Areas	3¼	-¼	—	—
—	—	17	5	Coopers Res N L	8	+1	—	—
7.2	5.0	255	183	Crusader Oil	138	-7	—	—
10.3	—	28½	8	Cultus Pac NL	13	-1	—	—
—	24.3	19	7	Eagle Corp 10c	9½	-¼	—	—
5.0	(16.5)	265	96	Emperor Mines	165		—	—
17.3	—	16½	0	Endeavour 20c	11½	-1	—	—
—	—	58	17	Enterprise Gld Mines	29		—	—
—	—	010	500	GM Kalgoorlie 25c	755	-1	tQ10c	ϕ
—	—	24½	6	Grt. Eastern Mines	21		—	—
—	—	38	9	Great Victoria Gold	38	..	—	—
4.5	4.4	32	15½	Haoma NW	19	..	—	—
15.8	18.8	92	26	Hill Minerals N L	35	.	—	—
—	7.0	41	13	Intnl Mining	19	..	—	—
—	—	20	5	Ivanhoe Gld. N L	8½	.	—	—
5.5	ϕ	100	25	Jingellic Minerals	34	..	—	—
11.8	—	42	15	Kalbara Min 20c	18	.	—	—
11.2	—	36	9	Keywest Invs	29	-1	—	—
—	—	17½	9¼	Kia Ora Gold N L	11¼	.	—	—
—	—	134	54	Kitchener NL 25c	102		—	—
—	—	180	48	Meekatharra 25c	49	+1	—	—
—	—	58	24	Metals Ex 50c	48	...	—	—
0.9	—	200	22	Metana Minerals N L	198	..	—	—
—	—	52	23	Minefields Min 20c	37		—	—
4.1	(21.2)	179	210	MIM Hldgs 50c	213	-5	Q5c	1.5
—	—	16	5	Mincoro 20c	14	..	—	—
2.0	‡	8	3	Nickelore Expl 25c	4½		—	—
—	—	45	23	Newmetal 20c	35	.	—	—
—	—	*211	128	North B Hill 50c	168	-2	tQ8c	1.4
5.3	11.1	90	38	Nth Kalgurli	80	.	—	—
1.9	16.1	86	52	Oakbridge 50c	57	+1	‡Q7c	1.5
—	—	57	11	Otter Expl'n NL	44	-½	—	—
—	—	150	64	Pancont'l 25c	74	+1	—	—
—	—	9½	4	Pan Pacific Pet NL	7¼	.	—	—
—	—	75	35	Paringa Mng & Expln 5p	60	..	—	—
—	—	456	300	Peko-Wallsend 50c	348	..	Q05c	0.2
3.9	4.4	15½	6	Pelsart Res NL	13½	....	—	—
—	—	299	171	Renison 50c	215	.	010c	0.1
6.3	ϕ	210	125	Do Deld	200	-5	—	—
—	—	81	20	Samantha Expl'n NL	42	..	—	—
—	—	52	21	Samson Expl'n NL	28	-1	—	—
—	—	82	49	Selcast 50c	56	.	—	—
—	—	58	24	Sons of Gwalia N L	43½	..	—	—
5.1	7.9	27	11	Sthn. Goldfields	19	-1	—	—
5.9	8.1	29	7	Southern Pacific	10½	..	—	—
1.7	ϕ	111	50	Southern Res	132	..	—	—
—	—	14	&	Southern Ventures 25c	7½	..	—	—
—	—	50	16	Swan Res 20c	17	+1	—	—
4.9	(10.2)	110	60	Tunax Res N L	80	-3	—	—
9.9	—	58	31	United Goldfields	43	....	—	—
5.3	4.0	24	5	West Coast 25c	13		—	—
1.0	—	38	8½	Western Cons. 50c	12½	..	—	—
—	—	296	168	Westn. Mining 50c	258	..	tQ2c	7.6
—	—	172	51	Whim Creek 20c	230	-1	Q5c	ϕ
—	—	47	7	Windsor Res NL	20	..	—	—
—	—	37	0	York Resources	18	....	—	—

Tins

16.1	ϕ	225	175	Ayer Hitam $M1	238	....	vQ85c	1.0
—	—	107	83	Geevor	133	.....	24.0	—
—	—	18	10	Gold & Base 12½p	10½	...	—	—
—	ϕ	435	290	Gopeng Cons.	420	....	‡4.0	ϕ
5.8	13.4	£10	525	Hongkong	900	..	—	—
3.1	7.5	11	13	Jantar 12½p	18	..	1.5	0.2
—	—	170	100	Kamunting $M0.50	210	+5	‡vQ27½c	0.8
—	—	96	56	Malaysia Mng. 10c	66	......	‡vQ11c	0.9
1.5	37.3	57	28	Pahang	53	..	B—	—
0.5	—	600	325	Pengkalen 10p	600	.....	1.0	—
—	—	330	225	Petaling $M1	300	....	vQ130c	ϕ
—	ϕ	275	185	Sungei Besi $M1	275	.....	‡vQ185c	1.1
—	—	68	40	Supreme Corp M$1	62	.....	vQ3¼c	ϕ

Miscellaneous

NOTES

REGIONAL AND IRISH STOCKS

OPTIONS

3-month Call Rates

"Recent Issues" and "Rights" Page 41

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
1-3 St Paul's Churchyard EC4P 4DX 01-236 3833

High Income				
Gilts & Fixed Int.	117.0	124.7	+0.2	9.62
High Inc Equity	62.2	66.9	+0.3	6.20
Capital Growth				
American Growth	92.5	99.9	+0.7	1.81
Assets & Ergs. Tt.	57.4	62.1	+0.3	2.81
Capital Reserve (z)	52.6	52.9	+0.1	0.80
Commodity & Engy	79.2	85.2	-0.1	2.61
General	94.0	101.6	+0.4	2.44
Japan	136.0	146.2	+2.5	0.21
Uk Growth	59.0	63.0	+0.2	2.21
Acc Units	80.	87.4	+0.2	2.21
US Emerging Co's	44.4	47.7	....	0.55
Worldwide Bond	143.2	154.0	+0.1	3.57
Equitas Prog.	132.7	163.5	+0.9	4.08

Aitken Hume
1, Worship St., EC2 01-628 6626

American Tech Fd	117.5	126.3	+1.5	0.30

Britannia Gp of Unit Trusts Ltd (a) (c) (g)
Salisbury Hse, 31 Finsbury Circus, London, EC2 01-588 2777. Dealing: 01-638 0478/0479.
Britannia Viewpoint 01-673 0048

UK Specialist Funds				
Growth Gilt Trust	49.5	50.4	....	0.78
Recovery	69.8	75.3	+0.6	2.82
Smaller Cos	93.6	100.9	+0.7	1.45
Spec. Mkt. Sits.	74.9	80.8	+0.4	1.61
UK Blue Chip	59.6	64.3	+0.4	3.40
High Income Funds				
Nat. High Inc.	120.9	130.4	+1.1	6.29
Extra Inc.	45.8	49.4	+0.3	8.59
Inc & Growth	122.9	132.5	+1.0	5.57
Gilt	27.4	28.8	....	9.58
Pref. Shares	17.8	19.2	+0.1	11.14
Sector Specialist Funds				
Commodity Shares	148.2	159.8	-0.2	1.64
Financial Secs.	160.3	172.8	+1.0	2.74
Gold & General	30.8	33.5	-0.2	2.34
Int. Leisure Mk.	9.4	10.1	....	0.59
Inv. Tst. shares	98.4	106.1	+1.1	1.14
Prop. Shares	34.3	37.0	+0.2	1.92
Univ Energy	70.7	76.2	-0.2	1.84
World Tech.	44.0	47.4	+0.2	—
Overseas Funds				
American Growth	63.4	68.9	+0.6	1.52
Am. Smaller Cos.	19.1	20.6	....	—

FT UNIT TRUST INFORMATION SERVICE

Crown Unit Trust Services Ltd.
Crown Life Hse, Woking GU21 1XW. 04862 24933

Crown High Inc. Trust	146.6	158.5	+0.2	6.18
Crown Growth Trust	131.9	142.6	+1.0	3.60
Crown Amer Trust	85.5	92.4	+0.2	1.08

Darlington Unit Trust Mngt. Ltd.
Darlington, Totnes, Devon TQ9 6JE. 0803 862271

Total Perf. Unit Tst.	36.1	41.0	....	2.47

Discretionary Unit Fund Managers
36/38 New Broad St, EC2M 1NU. 01-638 4485

Dic Inc Mar 9	367.1	391.5	....	3.68

Duncan Lawrie Fnd. Mgrs. (g)
1, Hobart Place, London SW1W 0HU. 01-245 9321

Growth	19.0	20.4	+0.1	2.9
Income	38.3	41.2	+0.2	8.8
Overseas	67.7	72.8	+0.2	2.6

INSURANCES

Insurances—continued

Colonial Mutual Group
24 Ludgate Hill, EC4P 4BD. 01-248 9861
Capital Life Assurance

Key Inv Fd	—	127.95	....	—
PcmkrInvFd	—	126.46	....	—
Equity Fd	115.61	121.09	....	—
Fxd Int Fd	109.34	110.09	....	—
PropertyFd	103.49	108.94	....	—
Cash Fd	101.91	107.27	....	—
Mnnngd Fd	118.91	125.17	....	—
Col Mut Life (Pension Annuities)				
ManCpAr8	105.93	111.53	....	—
MnnInvAi8	106.45	112.06	....	—

Commercial Union Group
St Helens, 1 Undershaft, EC3. 01-283 7500

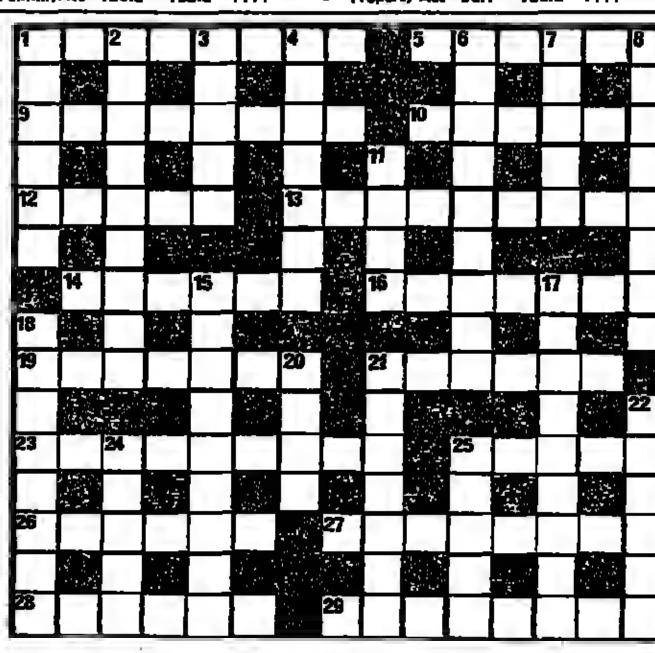
VarAnnMar19	—	34.49	....	—
VarAnAccUts	—	100.09	....	—

Offshore & Overseas—continued

Money Market Trust Funds

Money Market Bank Accounts

F.T. CROSSWORD PUZZLE No. 5,366



ACROSS

1 Forms of transport combine to rush people where they don't want to go (9)
5 Light breeze round the West (6)
9 Defamed a large number and got into a row (8)
10 He attacked the Romans but turned tail at first (6)
12 What could be finer to conclude? (5)
13 Breaks in and bangs on the head? (9)
14 Poles unprepossessing but comfortably placed (6)
16 In a giddy goat it may be musically excited (7)
19 A schoolboy bowler? (3-4)
21 He failed to turn the tide (6)
23 A measure for hayseeds? (4, 5)
25 French artist returns two hours before noon (5)
26 Aggressive female goes to sea (6)
27 Plea for a two-point pact? (8)
28 Writer makes uninteresting study (6)
29 Be apt to come round preoccupied? (8)

DOWN

1 Marine ordered to stay behind (6)
2 Yet it may be the product of an active imagination (4, 5)
3 One understood in radio communications (5)
4 Any item used as a source of pleasure (7)
6 Irrational belief in education (9)
7 Performing dog in variety (5)
8 Hardly a position of strength (4, 4)
11 Almost refuse the king (4)
15 Planned on a magnificent scale, but badly organised (9)
17 Turn up with a six-footer escort (9)
18 Blacklog Shakespeare put to the sword (9)
20 Pull out from America? (4)
21 Is inclined to enter the Church, subject to purification (7)
22 Stopped wearing corsets (6)
24 Prompt about going on day-shift (5)
25 Mother to look up a girl's name (5)

Solution to Puzzle No. 5,365

مكتبة الأصل

INSURANCE & OVERSEAS MANAGED FUNDS

Barclays Life Ass.—Cont.

Income Accum	[illegible]	[illegible]	[illegible]	—
Universal Inv. Acc.	[illegible]	[illegible]	[illegible]	—
Do. Initial	[illegible]	[illegible]	[illegible]	—
Man Pens. Accum.	[illegible]	[illegible]	[illegible]	—
Do Initial	[illegible]	[illegible]	[illegible]	—
Gilt-Edg Pens Accum.	[illegible]	[illegible]	[illegible]	—
Do Initial	[illegible]	[illegible]	[illegible]	—
Money Pens. Accum	[illegible]	[illegible]	[illegible]	—
Do. Initial	[illegible]	[illegible]	[illegible]	—

Black Horse Life Ass. Co. Ltd.

71, Lombard St., EC3 01-623 1288

Black Horse Man Fd.	[illegible]	[illegible]		—
Managed Int. Fd.	[illegible]	[illegible]		—
Property Fd.	[illegible]	[illegible]		—
Fixed Interest Fd.	[illegible]	[illegible]		—
Cash Fd.	[illegible]	[illegible]		—
Income Fd.	[illegible]	[illegible]		—
Extra Income Fd.	[illegible]	[illegible]		—
Worldwide Growth Fd.	[illegible]	[illegible]		—
Balanced Fd.	[illegible]	[illegible]		—
Smlr Co's & Recy. Fd	[illegible]	[illegible]		—
Int. Technology Fd.	[illegible]	[illegible]		—
Nth. Amer. & Gen. Fd.	[illegible]	[illegible]		—
Energy Int. Fd.	[illegible]	[illegible]		—
Pacific Basin Fund	[illegible]	[illegible]		—

British National Life Assurance Co. Ltd.

Harlands Rd, Haywards Heath. 0444 414111

Managed	[illegible]	[illegible]		—
Property	[illegible]	[illegible]		—
Equity	[illegible]	[illegible]		—
International	[illegible]	[illegible]		—
Fixed Interest	[illegible]	[illegible]		—
Deposit	[illegible]	[illegible]		—
Managed Pen. Cap	[illegible]	[illegible]		—
Property Pens. Cap	[illegible]	[illegible]		—
Equity Pens. Cap	[illegible]	[illegible]		—
Intnl. Pens. Cap	[illegible]	[illegible]		—
Fixed Int. Pens. Cap.	[illegible]	[illegible]		—
Deposit Pens. Cap.	[illegible]	[illegible]		—

Canada Life Group

2-6, High St., Potters Bar, Herts P Bar 51122

G.T. Management Ltd.

[illegible]

Assicurazioni GENERALI S.p.A.

117 Fenchurch St., EC3M 5DY. 01-488 0731

General Portfolio Life Ins. PLC

Crossbrook St., Cheshunt Herts. Waltham X 51971

See adjacent page Mon-Fri and Stock Exchange Dealings page Sat

Gresham Unit Ass. Ltd

2-6, Prince of Wales Rd. B'mouth. 0202 767655

OFFSHORE AND OVERSEAS

[illegible]

NOTES

[illegible]

COMMODITIES AND AGRICULTURE

KL invokes crisis rules on palm oil

BY WONG SULONG IN KUALA LUMPUR

THE Kuala Lumpur Commodities Exchange has invoked emergency regulations, giving it powers to restore order and confidence on the palm oil futures market.

The exchange said yesterday that with immediate effect trading for the spot month of March would be confined to liquidation of uncovered contracts. No new contracts would be allowed to be opened.

From the opening of the market tomorrow, when April replaces March as spot month, members can trade up to a maximum of 100 lots of 25 tonnes each on each trading day.

Contracts exceeding 100 lots will not be registered by the clearing house and disciplinary action will be taken. Each transaction on the floor must not exceed five lots.

All dealers must report immediately to the Commissioner of Commodities the trading details of all clients who are not clearing members and who have more than 100 open contracts in any delivery month at the close of yesterday's market.

The exchange did not specify how long these emergency rules will be enforced. They are, however, likely to remain for at least two months.

In a related move the clearing house asked all clearing members to provide an additional 700,000 ringgit in margins.

In response floor traders decided to table a no confidence vote in the management of KL Commodities Exchange at an extraordinary general meeting to be held on March 21.

At this traders are expected to call on the exchange to end the services of the clearing house and replace it with an in-house clearing company.

Traders said long delay in tackling the disputes indicated lack of appreciation of the magnitude and complexity of the crisis by the two bodies.

Since the disputes broke out three weeks ago trading on the exchange has declined significantly. Authorities, however, expect that with tougher rules and enforcement powers the excessive speculation will be purged to allow the exchange to return to its healthy growth trend.

Bengal budget may hit tea

BY P. C. MAHANTI IN CALCUTTA

WEST BENGAL'S 1984-85 budget proposals would tax the tea industry in the state heavily.

It hoists the sales tax on tea auctioned at Calcutta and Siliguri at the full rate of 8 per cent, against the existing concessional rate of 3 per cent. The higher levy will apply to all tea coming for auction at these centres.

All West Bengal gardens would be hit by the lowering of the exemption limit on tea output for levying rural employment and production cess. The new limit would be 50,000 kg against 100,000 kg per garden for black tea. For green tea the threshold has been lowered to 225,000 kg per garden, from 450,000 kg.

The employment and production cess on all West Bengal ex-garden despatches has been doubled from the existing rate of 1 rupee 50 paise to 3 rupees a kilogram.

Darjeeling gardens, however, are exempted. A new primary education cess of 1 rupee on all ex-garden despatches has also been levied. The same cess at the rate of 25 paise a kilogram on pocket tea has been imposed.

Soviet grain harvest biggest in five years

Financial Times Reporter

THE Soviet Union's grain harvest last year was slightly smaller than estimated but still its largest in five years, the U.S. Agriculture Department said.

The department's foreign agricultural service reported that the harvest was 195m tonnes, 5m tonnes less than estimated by U.S. experts. That would be the largest Soviet grain harvest since the record yield of 237.4m tonnes in 1978.

The report said prospects for the 1984 winter grain harvest appeared somewhat better than last year. Most Soviet grain, however, comes from spring-planted crops and there will be no USDA forecast of this year's production till about mid-year.

TYRES produced by Japan last year were a record 138.42m units, 10.8m up on the 1982 total, Japan Tyre Manufacturers Association said. It attributed the rise, which took output above the previous record of 133.4m in 1980, to exports to Iran and the U.S.

JAMAICA has signed a five-year deal with Yugoslavia by which it will supply 450,000 tonnes of alumina in return for housing construction products.

COMPOUND animal feed production in the UK rose to 5.04m tonnes in the last five months of 1983, from 4.96m in the corresponding period of 1982, the Home Grown Cereals Authority said in its weekly digest.

NEW STRAINS of tea and coffee for South-east Asia are to be developed by a joint biotechnology venture in Singapore set up by Native Plants Inc, Tata Enterprises, Sumitomo Corporation and Kyowa Hakko Kogyo.

MAIZE imports to South Africa for 1984-85 (May-April) are forecast at 3.5m tonnes, up from a 2.3m forecast, the U.S. Agriculture Department said. South Africa is normally a net exporter of maize

Sour turn for Caribbean fruit exporters

Canute James assesses the U.S. ban on products treated with a risky fumigant

[illegible]

U.S. farm Bill in tight race for passage

BY NANCY DUNNE IN WASHINGTON

[illegible]

Polish grains winter well

By Christopher Bobinski in Warsaw

[illegible]

PRICE CHANGES

In tonnes unless stated otherwise	Mar. 13 1984	+ or —	Month ago
Metals			
Aluminium	£1100	......	£1100
Free Mkt	$1525/1565	......	$1540/570
Copper			
Cash h Grade	£1025	+5.25	£996.5
3 mths	£1043.70	+5.5	£1015.75
Cash Cathode	£1016.5	+10	£985.5
3 mths	£1032.5	+8	£1004.5
Gold troy oz	$397.75	......	$379.70
Lead Cash	£309.75	—2.5	£285.8
3 mths	£315.75	—2.5	£293.25
Nickel	£4838	......	£5028.84
Free Mkt	208/228c	......	206/225c
Palladium oz	$160.75	+0.25	$156.50
Platinum oz	£274.90	+0.55	£296.60
Quicksilver†	$295/305	......	$299/308
Silver troy oz	667.30p	—1.50	609.85p
3 mths	681.75p	—1.40	583.60p
Tin cash	£8625	—50	£8510.5
3 months	£8735	—44	£8659.5
Tungsten	$78.50	......	$77.08
Wolfram 22.04lb	$81/84	......	$76/78
Zinc	£709	—7	£697.8
3mths	£681.5	—8	£690.5
Producers	$1,050	......	$1050

	Mar. 13 1984	+ or —	Month ago
Oils			
Coconut (Phil)	$1210w	+30	$1225
Groundnut	‡	......	$1025
Linseed Crude	‡	......	£428
Palm Malayan	‡	......	$735
Seeds			
Copra Phil	$750v	+10	$790
Soyabean (U.S.)	$321.5	—2.5	$286.25
Grains			
Barley Fut. May	£123.25	+0.50	£110.75
Maize	£147.50	......	£147.00
Wheat Fut. May	£128.05	+0.25	£124.10
No2 Hard Wint	‡	......	‡
Other commodities			
Cocoa ship't*	£1789	+31	£1900
Futures May	£1762.2	+44.5	£1837
Coffee Ft. May	£1943.5	+7	£1987
Cotton A index	88.65c	+0.5	86.70c
Gas Oil Apt	$248	—2.75	$239.5
Rubber (kilo)	81p	......	86.5p
Sugar (raw)	£112w	—2.5	£119
Wooltops 64s	465pkilo	......	474pkilo

‡ Unquoted. u April. x May. z June. v April-May. w March-April. † Per 75 lb flask. * Ghana cocoa. n Nominal. c Cents per pound.

LONDON OIL

Light selling during the morning trade lowered gas oil prices. Little interest was shown throughout the day and the market closed on the lows. A firmer New York market had little influence on London, reports Premier Man.

SPOT PRICES

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)		
Arabian Light	28.60-28.70	—0.05
Iranian Light	27.70-27.80	+0.03
Arab Heavy	20.80-25.85	+0.02
North Sea (Forties)	29.90-30.20	+0.03
North Sea (Brent)	30.00-30.90	—
African (Bonny Li'ht)	29.80-30.15	+0.02
PRODUCTS—North West Europe ($ per tonne)		
Premium gasoline	286-291	—
Gas Oil	256-264	—
Heavy fuel oil	177-123	+0.0

CRUDE OIL FUTURES

Month	Yest'day's close	+ or —	Business Done
	$ U.S. per brl		
Apr	31.10	—	—
May	30.65	—0.20	30.80
June	30.66	+0.05	—
July	30.45	—0.15	30.43
Aug	30.50	—	—
Sept	30.50	+0.10	—

Turnover: 9 (4) lots of 1,000 barrels.

GAS OIL FUTURES

Month	Yest'day's close	+ or —	Business Done
	$ U.S. per tonne		
Mar	259.00	—9.00	254.00-251.8
April	248.00	—0.75	250.75-248.0
May	245.75	—1.75	247.75-245.7
June	245.50	—1.50	246.50-245.5
July	246.00	—1.60	247.00-246.8
Aug	248.80	—1.25	248.50-248.2
Sept	250.23	—0.75	250.75-250.2
Oct	253.00	—0.50	—
Nov	255.00	—1.00	—

Turnover: 977 (710) lots of 100 tonnes.

GOLD MARKETS

Gold closed unchanged at $397½-398 on the London bullion market yesterday. It opened at $396½-397, and was fixed at $397½ in the morning and $397¼ in the afternoon. The metal touched a peak of $398.40-398.90, and a low of $396.30-396.80.

In Paris the 12½ kilo gold bar was fixed at FFr 102,000 per kilo ($397.56 per ounce) in the afternoon, compared with FFr 102,400 ($397.12) in the morning, and FFr 102,400 ($396.43) Monday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM 33,205 per kilo ($398.51 per ounce), against DM 33,350 ($398.02), and gold closed at $397-397¼, compared with $395-396.

In Luxembourg the 12½ kilo bar was fixed at the equivalent of $397.25 per ounce, against $397.65.

In Zurich gold finished at $397½-398, compared with $396½-397½.

LONDON FUTURES

[illegible]

EUROPEAN MARKETS

[illegible]

BRITISH COMMODITY PRICES

BASE METALS

COPPER VALUES made progress on the London Metal Exchange despite the strength of sterling. Short covering and speculative buying boosted forward metal to a close of £1042.5 while rumours of problems at a major U.S. aluminium producer boosted the latter metal to £1039. LEAD and ZINC closed at £317 and £884 respectively.

COPPER

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —†
HighGrde	£	£	£	£
Cash	1018.5-9	+1	1024.5-5.5	+6.25
3 months	1037.5-8	+1.5	1043.5-4	+6.5
Settlem't	1019	+2.5	—	—
Cathodes				
Cash	1007-8	+3	1016-7	+10
3 months	1026-7	+2	1032-3	+6
Settlem't	1008	+3	—	......

Amalgamated Metal Trading reported that in the morning cash higher grade traded at £1,018.50, three months £1,037, 38, 37.50, 38, 38.50, 39, 39.00, 38.50, 38. Cathodes: Cash £1,007.50. Kerb: Higher Grade: Three months £1,037, 36, 37, 37.50. Afternoon: Higher Grade: Three months £1,037, 38, 39, 40, 40.00, 40, 44, 43.50, 43, 43.50, 44, 44.50. Cathodes: Cash £1,018. Kerb: Higher Grade: Three months £1,044, 44.00, 45, 44, 43. Turnover: 52,450 tonnes. U.S. producers 71-75 cents per pound.

TIN

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —†
High Grde	£	£	£	£
Cash	8635-40	—30	8620-30	—70
3 months	8765-75	—27.5	8750-60	—42.5
Settlem't	8640	—30	—	......
Standard				
Cash	8635-40	—30	8680-30	—50
3 months	8750-1	—24.5	8731-3	—44
Settlem't	8640	—30	—	......
Straits E	$29.15	—	—	......

Tin-Morning: Standard: Cash £8,640, three months £8,765, 70, 65 55, 60.55, 50. High Grade: Cash £8,640. Kerb: Standard: Three months £8,740, 30, 35. Afternoon: Standard: Three months £8,740, 36, 40, 35, 31, 35. Kerb: Standard: Three months £8,720, 15, 20, 21, 25. Turnover: 1,405 tonnes.

LEAD

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Cash	307.5-8	—2.75	309.5-10	—2.5
3 months	313.75-4	—3.38	316.5-7	—2.5
Settlem't	308	—3	—	......

Lead—Morning: Cash £307, 07.50, three months £314, 13, 12, 12.50, 13, 13.50, 14. Kerb: Three months £314.50, 14. Afternoon: Three months £313.50, 14, 15, 16, 15.50, 17. [illegible]

ZINC

[illegible]

ALUMINIUM

[illegible]

NICKEL

NICKEL	a.m. Official	+ or —	p.m. Unofficial	+ or —†
Spot	3330-40	—66.5	3300-10	—70
3 months	3300-05	—66.5	3270-5	—72

Nickel—Morning: Three months £3,315, 10. Kerb: Three months £3,285, 3,300, 3,295, 90. Afternoon: Three months £3,275, 80, 75, 70, 65, 68, 70. Kerb: Three months £3,275, 80, 90. Turnover: 846 tonnes.

SILVER

Silver was fixed 1.5p an ounce lower for spot delivery in the London bullion market yesterday at 667.3p. U.S. equivalents of the fixing levels were: spot $9.749, up 5.7c; three-month $10.00, up 6c; six-month $10.261, up 5.4c; and 12-month $10.83, up 5.2c. The metal opened at 661-664p ($9.63-$9.66) and closed at 663-666p ($9.73-$9.76).

SILVER per troy oz.	Bullion fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	667.30p	—1.50	666.5p	+2
3 months	681.75p	—1.40	681.2p	+2
6 months	696.45p	—1.85	—	......
12months	727.45p	—1.90	—	......

LME—Silver (2,000 oz contract): cash 666.5p (664.5p); three months 681.5p (682p). Turnover: nil (nil).

Turnover: 121 (122) lots of 10,000 oz. Morning: Large three months 684.0, 82.0, 81.0, 82.0. Kerb: three months large 681.0. Afternoon: large three months 680.0, 80.3, 81.0. Kerb: large three months 681.5.

COCOA

After a quiet morning, futures rallied strongly on general short-covering and chartist buying. These higher prices induced small amounts of producer selling although, generally, physical business remained neglected, reports Gill and Duffus.

COCOA	Yesterday's Close	+ or —	Business Done
	£ per tonne		
March	1766-30	+30.5	1725-01
May	1702-05	+44.5	1764-22
July	1781-82	+52.0	1727-28
Sept	1775-75	+49.3	1780-27
Dec	1763-64	+44.0	1770-27
March	1757-58	+40.5	1757-85
May	1755-58	+41.5	1728

Sales: 6,522 (3,335) lots of 10 tonnes.

ICCO indicator prices (U.S. cents per pound). Daily prices for March 13: 115.57 (111.50): five-day average for March 14: 111.83 (111.09).

COFFEE

During a quiet morning values held moderate gains in light volume, reports Drexel Burnham Lambert. Continued trade support in distant contracts provided incentive for a mid-afternoon rally before heavy selling pressure in May, mainly against July, [illegible]

GRAINS

[illegible]

COTTON

[illegible]

WOOL FUTURES

[illegible]

JUTE

[illegible]

MEAT/FISH

[illegible]

POTATOES

[illegible]

RUBBER

[illegible]

SOYABEAN MEAL

[illegible]

SUGAR

[illegible]

INDICES

[illegible]

WEEKLY METALS

[illegible]

AMERICAN MARKETS

[illegible]

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Pound improves in late trading

Sterling recovered from a weak start in currency markets yesterday as the foreign exchange market reacted favourably to yesterday's UK Budget. Early trading had seen the pound lose ground in sympathy with the dollar but renewed interest later in the day pushed sterling firmer while the dollar continued to lose ground. The pound's trade weighted index finished at 80.9 down from 81.0 on Monday, having remained at 80.9 for all three of the day's calculations. Sterling's late improvement came too late to be fully reflected in the Bank's index.

Against the dollar it opened at $1.4540-1.4550 and slipped to a low of $1.4535 before recovering to finish at $1.4685-1.4695, a rise of 1.85p. It finished at DM 3.78 against the D-mark, still down from Monday's level of DM 3.7880 but up from the day's lows. Against the Swiss franc it finished at SwFr 3.12 from SwFr 3.13 and FFr 11.6350 from FFr 11.6450. It was higher against the yen at Y 328 from Y327.25.

DOLLAR — Trade weighted index (Bank of England) 125.4 against 126.4 on Monday and 128.8 six months ago.

The dollar lost ground yesterday against most currencies, led by strong demand for the Japanese yen. The U.S. unit finished at Y223.10 down from Y225.10. *Earlier in the day confidence in the dollar had waned* after a failure to maintain the important DM 2.60 level against the D-mark. Bearish sentiment gathered pace later in the day following an unexpected fall in U.S. retail sales.

It closed at DM 2.5715 down from DM 2.6050 and SwFr 2.1230 from SwFr 2.1530. It was also weaker against the French franc at FFr 7.9225 from FFr 8.02.

D-MARK — Trading range against the dollar in 1983-84 is 2.8425 to 2.3320. February average 2.7000. Trade-weighted index 127.9 against 125.6 six months ago.

The D-mark improved against the dollar, Dutch guilder and *French franc at the Frankfurt* fixing, but weakened against sterling, the Swiss franc, and Japanese yen. The Bundesbank did not intervene when the dollar fell to DM 2.5904 from DM 2.6086, and there was also no sign that the central bank was active on the open market. The guilder weakened to DM 88.54 per 100 guilders from DM 88.68, and the French franc to DM 32.455 per 100 francs from DM 32.465. Sterling rose to DM 3.78 from DM 3.7780; the Swiss franc to DM 1.2102 from DM 1.2088; and the Belgian franc to DM 4.8870 per 100 francs from DM 4.8850.

ITALIAN LIRA — Trading range against the dollar in 1983-84 is 1,720.75 to 1,343.0. February average 1,667.32. Trade-weighted index 48.9 against 50.2 six months ago.

The lira showed mixed changes at the Milan fixing, but improved quite sharply against the weak dollar. The U.S. currency fell to L1,608.60 from L1,630.25, while within the EMS the Belgian franc declined to *L30.354 from L30.363*; the Dutch guilder to L550.19 from L550.48; and the Irish punt to L1,898.40 from L1,900. Volume was fairly light and the Bank of Italy bought $3m of the $7m traded officially, but did not intervene against the D-mark, where official dealings amounted to DM 35m. Sterling rose to L2,349.75 from L2,348.90; the D-mark to L621.52 from L621.40; the Swiss franc to L751.75 from L751.01; and the French franc to L201.71 from L201.64.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU March 13	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc ...	44.9008	45.6757	+1.73	+1.68	±1.5447
Danish Krone ...	8.14104	8.16640	+0.31	+0.26	±1.6425
German D-Mark	2.24184	2.23172	−0.45	−0.50	±1.0842
French Franc ...	6.87456	6.87985	+0.07	+0.02	±1.4052
Dutch Guilder ...	2.52595	2.52104	−0.19	−0.24	±1.4964
Irish Punt ...	0.72569	0.728564	+0.53	+0.48	±1.6698
Italian Lira ...	1403.49	1386.95	−1.18	−1.18	±4.1605

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK latest

	March 13	Prev. close
Spot	$1.4700-4710	$1.4565-4570
1 month	0.14-0.17 dis	0.14-0.19 dis
3 months	0.64-0.58 dis	0.56-0.58 dis
12 months	2.75-3.05 dis	2.85-2.90dis

£ forward rates are quoted in U.S. cents discount.

THE POUND SPOT AND FORWARD

March 13	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.4535-1.4705	1.4685-1.4695	0.13-0.18c dis	−1.27	0.55-0.60dis	−1.58
Canada	1.8400-1.8515	1.8495-1.8505	0.19-0.23c dis	−1.55	0.73-0.83dis	−1.68
Nethlnd.	4.24-4.29	4.26½-4.27½	1½-½c pm	2.16	3½-2½ pm	2.69
Belgium	76.90-77.50	77.25-77.35	30-40c dis	−5.43	85-95 dis	−4.66
Denmark	13.75-13.84	13.81-13.82	3½-4½ore dis	−3.26	8½-9½ dis	−2.70
Ireland	1.2300-1.2400	1.2365-1.2345	0.35-0.40p dis	−3.64	1.16-1.28dis	−3.88
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Belgian rate is for convertible francs. Financial franc 79.60-79.70. Six-month forward dollar 1.20-1.28c dis. 12-month 2.75-2.85c dis.

THE DOLLAR SPOT AND FORWARD

March 13	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4535-1.4705	1.4685-1.4695	0.13-0.18c dis	−1.27	0.55-0.60dis	−1.56
Ireland†	1.1790-1.1895	1.1885-1.1895	0.22-0.19c pm	2.07	0.76-0.67 pm	2.39
Canada	1.2625-1.2680	1.2660-1.2665	par-0.02c dis	−0.09	0.04-0.06dis	−0.16
Nethlnd.	2.9030-2.9270	2.9035-2.9055	1.09-0.99c pm	4.29	3.16-3.05 pm	4.28
Belgium	52.60-53.05	52.60-52.62	16½-18½c dis	−3.99	17-41 dis	−2.56
Denmark	[illegible]	[illegible]	[illegible]	−0.99	0.30-0.80dis	−0.23
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 54.35-54.40.

OTHER CURRENCIES

Mar. 13	£	$		£ Note Rates
Argentina Peso	[illegible]	[illegible]	Austria	[illegible]
Australia Dollar	[illegible]	[illegible]	Belgium	[illegible]
Brazil Cruzeiro	[illegible]	[illegible]	Denmark	[illegible]
Finland Markka	[illegible]	[illegible]	France	[illegible]
Greek Drachma	[illegible]	[illegible]	Germany	[illegible]
Hong Kong Dollar	[illegible]	[illegible]	Italy	[illegible]
Iran Rial	[illegible]	[illegible]	Japan	[illegible]
Kuwait Dinar (KD)	[illegible]	[illegible]	Netherlands	[illegible]
Luxembourg Fr.	[illegible]	[illegible]	Norway	[illegible]
Malaysia Dollar	[illegible]	[illegible]	Portugal	[illegible]
New Zealand Dlr.	[illegible]	[illegible]	Spain	[illegible]
Saudi Arab. Riyal	[illegible]	[illegible]	Sweden	[illegible]
Singapore Dollar	[illegible]	[illegible]	Switzerland	[illegible]
Sth African Rand	[illegible]	[illegible]	United States	[illegible]
U.A.E. Dirham	[illegible]	[illegible]	Yugoslavia	[illegible]

*Selling rate.

CURRENCY MOVEMENTS

Mar. 13	Bank of England Index	Morgan Guaranty Changes %
Sterling	80.9	−10.8
U.S. dollar	125.4	+14.6
Canadian dollar	89.0	−1.8
Austrian schilling	118.0	+5.0
Belgian franc	90.2	−10.8
Danish kroner	80.0	−5.1
Deutsche mark	127.9	+9.2
Swiss franc	150.2	+12.2
Guilder	115.8	+3.1
French franc	67.3	−14.1
Lira	48.9	−14.5
Yen	159.6	−12.7

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

March 13	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.730418	0.591461
U.S. $	8½	1.06612	0.864169
Canadian $	10.09	[illegible]	[illegible]
Austria Sch.	4	[illegible]	[illegible]
Belgian Fr.	11	[illegible]	[illegible]
Danish Kr.	7	[illegible]	[illegible]
D'mark	4	[illegible]	[illegible]
Guilder	5	[illegible]	[illegible]
French Fr.	9½	[illegible]	[illegible]
Lira	16	[illegible]	[illegible]
Yen	5	[illegible]	[illegible]
Norwgn. Kr.	8	[illegible]	[illegible]
Spanish Pts.	—	[illegible]	[illegible]
Swedish Kr.	8½	[illegible]	[illegible]
Swiss Fr.	4	[illegible]	[illegible]
Greek Dr'ch.	20½	[illegible]	[illegible]

*CS/SDR rate for March 12: 1.35719

EXCHANGE CROSS RATES

Mar. 13	Pound Sterling	U.S. Dollar	Deutschem'k	Japanese Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.469	3.780	328.0	11.635	3.120	4.270	2346.	1.850	77.30
U.S. Dollar	0.681	1.	2.572	223.1	7.923	2.123	2.905	1597.	1.258	52.01
Deutschemark	0.265	0.389	1.	86.77	3.078	0.825	1.130	620.6	0.489	20.45
Japanese Yen 1,000	3.049	4.479	11.50	1000.	35.47	9.512	13.02	7151.	5.671	235.7
French Franc 10	0.859	1.263	3.249	281.9	10.	2.682	3.670	2016.	1.699	66.44
Swiss Franc	0.321	0.471	1.212	105.1	3.729	1.	1.369	751.8	0.596	24.78
Dutch Guilder	0.234	0.344	0.885	76.81	2.725	0.731	1.	549.3	0.436	18.10
Italian Lira 1,000	0.426	0.626	1.619	139.8	4.961	1.330	1.821	1000.	0.793	32.90
Canadian Dollar	0.538	0.790	2.032	176.3	6.254	1.677	2.295	1261.	1.	41.56
Belgian Franc 100	1.294	1.900	4.890	424.3	15.05	4.036	5.524	3034.	2.406	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

Mar. 13	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Kroner
Short term	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 days' notice	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	8¾-8⅞	10⅛-10¼	10⅛-10¼	6⅛-6¼	3¾-3⅞	6⅛-6¼	10¾-16	17⅛-17⅝	14¼-14¾	[illegible]	[illegible]	[illegible]
Six months	8½-9⅛	10⅛-10⅝	10⅜-10⅝	6⅛-6¼	5½-5⅞	6⅛-6⅜	15¾-16	17⅝-18	19¾-13¼	[illegible]	[illegible]	[illegible]
One year	9⅛-9¼	10½-11½	11-11¼	6⅛-6½	4½-4⅞	6⅛-6½	16¾-16	18-18⅛	12¼-12¾	[illegible]	[illegible]	[illegible]

Asian $ (closing rates in Singapore). Short-term 9¾-9⅞ per cent; seven days 9⅞-9⅞ per cent; one month 10⅛-10¼ per cent; three months 10⅛-10¼ per cent; six months 10⅜-10½ per cent; one year 11⅛-11¼ per cent. Long-term Eurodollars two years 11½-11⅝ per cent; three years 12-12⅛ per cent; four years 12⅛-12¼ per cent; five years 12⅜-12½ per cent nominal closing rates. Short-term rates are call for U.S. dollars and Japanese yen; two days' notice.

MONEY MARKETS

UK rates show little change

Interest rates showed little change in London yesterday as the market digested the latest Budget proposals. There was no change in Bank of England dealing rates as some had expected, and clearing bank base rates remained at 8½-9 per cent. Three-month interbank money was quoted at 8⅞-9 per cent compared with 8⅞-9⅛ per cent while three-month eligible bank bills were bid at 8⅞ per cent against 8⅞ per cent. Overnight interbank money touched a high of 9⅞ per cent before slipping away to 7½ per cent.

UK clearing banks' base lending rate 8½-9 per cent (since March 8)

The Bank of England forecast a shortage of around £500m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £494m. In addition banks brought forward balances £60m below target. On the other hand Exchequer transactions added £15m to the system and there was a fall in the note circulation of £55m.

The Bank gave assistance in the morning of £517m, comprising purchases of £5m of eligible bank bills in band 1 (up to 14 days) at 8⅞ per cent and £2m of eligible bank bills in band 2 (34-63 days) at 8¾ per cent. It also arranged sale and repurchase agreements on £510m of bills at 8¾ per cent, unwinding in equal amounts on *March 28* and March 29. There was no further help in the afternoon but the Bank did provide late assistance of £50m.

In Amsterdam the Dutch central bank announced its intention to offer special advances at 5¾ per cent in order to increase money market liquidity. The facility will run from tomorrow until March 26 and applications will be accepted by tender this morning. This latest move was seen as removing the possibility of strong upward pressure on interest rates after the payment tomorrow of a Fl7.5bn state loan. The maturity date was slightly longer than had been expected, inhibiting the authorities' ability to provide assistance to the money market without some small upward adjustment in rates.

MONEY RATES

Mar. 13	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	5.45-5.50	12¼	1⅛-2⅛	0⅞-0	6.28125	[illegible]	[illegible]	[illegible]
One month	5.70-5.80	12⅛-15⅛	3⅛-0¼	6-6⅛	6.40625	[illegible]	[illegible]	[illegible]
Two months	5.70-5.85	12⅞-12¾	—	—	—	[illegible]	[illegible]	[illegible]
Three months	5.80-5.95	12⅞-12⅝	3⅝-3½	6-0⅛	6.28125	[illegible]	[illegible]	[illegible]
Six months	5.85-6.00	12⅞-12⅞	—	6⅛-6⅛	—	[illegible]	[illegible]	[illegible]
Lombard	5.5	—	—	—	—	[illegible]	[illegible]	[illegible]
Intervention	—	12	—	6⅞	—	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

Discount Houses Deposit and Bill Rates

Mar. 13 1984	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	7⅛-9⅞	9-9⅛	7-9⅛	8-9⅛	—	—	—	—	—
2 days notice	—	—	9-9⅛	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	9⅛-9¼	9-9⅛	9¼-9⅜	9	—	—	—	—	—
One month	8⅞-8⅞	8⅞-9	8⅞	9⅛	8⅝-8¾	8⅝-8¾	8⅛-8	[illegible]	[illegible]	9⅛
Two months	8⅞-8¾	8⅞-9	9⅛	9⅛	8⅞-8⅝	8½-8⅞	9⅞-8	[illegible]	[illegible]	9⅛
Three months	9⅛-8¾	8⅞-9	9⅛	9⅛	9⅛	8⅝-8⅞	8¼-8	[illegible]	[illegible]	9⅛
Six months	8⅞-8⅞	8⅞-9⅛	9⅞	—	—	—	—	—	—	—
Nine months	9⅛-9⅛	9⅛-9⅛	9⅛	—	—	—	—	—	—	—
One year	9⅛-9	9⅛-9⅛	9⅛	—	—	—	—	—	—	—

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	—	—	[illegible]	[illegible]	[illegible]	[illegible]
Two months	—	—	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nine months	[illegible]	—	—	[illegible]	—	—
One year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Two years	—	10	—	—	—	—
Three years	—	10¼	—	—	—	—
Four years	—	10½	—	—	—	—
Five years	—	10⅝	—	—	—	—

ECGD Fixed Rate Export Finance Scheme IV Average Rate for interest period February 8 to March 6 1984 (inclusive): 9.372 per cent. Local authorities and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rates (published by the Finance Houses Association): 9½ per cent from March 1, 1984. London and Scottish Clearing Bank Rates for lending 8½-9 per cent. London Deposit Rate for sums at seven days' notice 5½ per cent. Treasury Bills: Average tender rates of discount 8.4799 per cent. Certificates of Tax Deposit (Series 6). Deposits of £100,000 and over held under one month 9⅛ per cent; one-three months 9⅛ per cent; three-six months 9⅛ per cent; six-12 months 9⅛ per cent. Under £100,000 3-per cent from March 6. Deposits held under Series 4-5 9⅛ per cent. The rate for all deposits withdrawn for cash 7⅝ per cent.

FT LONDON INTERBANK FIXING

LONDON INTERBANK FIXING (11.00 a.m. March 13)

3 months U.S. dollars	
bid 10 1/4	offer 10 1/8

6 months U.S. dollars	
bid 10 9/16	offer 10 11/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	11
Broker loan rate	10½
Fed funds	9⅞
Fed funds at intervention	9⅞

Treasury Bills

One month	8.80
Two month	9.15
Three month	9.33
Six month	9.58
One year	9.50

Treasury Bonds

Two year	99.19
Three year	[illegible]
Four year	[illegible]
Five year	[illegible]
Seven year	[illegible]
10 year	[illegible]
30 year	[illegible]

FINANCIAL FUTURES

Gilts weaker

Gilts futures weakened on the London International Financial Futures Exchange yesterday after opening firm ahead of the Budget and showing little activity during the morning. Trading picked up when the Chancellor began to speak however, and the initial reaction to the new range of money supply targets was to sell, although this trend was short lived. June delivery gilts opened at 109.30 and touched a peak of 110.01. The lowest level recorded during the day was 109-14, and the contract closed at 109-23, compared with 108-26 on Monday.

Three-month sterling deposit futures showed roughly the same turnover as gilts on Liffe, but were firmer in anticipation that clearing banks will be given room to cut their base rates some time this week. Money market interest rates fell amid speculation that the Bank of England will reduce its market intervention rates today or tomorrow, and that all the banks will come back into line with 8½ per cent base rates.

The June contract opened at 91.20, and fell to a low of 91.19, before closing at 91.23, near the day's high of 91.25, and compared with the previous settlement figure of 91.18.

Eurodollar futures opened firm, although the June contract at 89.29 was only slightly above the day's low of 89.28. It rose to a high point of 89.37 in the afternoon following publication of the U.S. February retail sales figures. These fell by 0.2 per cent, compared with a rise of 2.2 per cent in January. It was expected that the February figure would show an increase of about 0.75 per cent, indicating steady, but not too volatile economic growth. The closing level for June Eurodollar's was 89.33, compared with 89.27 previously.

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
June	89.33	89.37	89.28	89.27
Sept	88.96	88.99	88.94	88.90
Dec	88.67	88.71	88.67	88.60
March	88.41	—	—	88.33
June	88.13	88.13	88.12	—

Volume 3,573 (2,454)
Previous day's open int 12,928 (13,030)

THREE-MONTH STERLING DEPOSIT £250,000 points of 100%

	Close	High	Low	Prev
March	91.32	91.32	91.30	91.30
June	91.23	91.25	91.19	91.18
Sept	91.00	91.03	90.99	90.98
Dec	90.82	90.85	90.82	90.80
March	90.62	—	—	90.66

Volume 1,312 (983)
Previous day's open int 7,906 (7,752)

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
March	110-10	110-20	110-10	110-12
June	109-23	110-01	109-14	108-26
Sept	109-05	—	—	109-09
Dec	108-10	—	—	108-24
March	108-01	—	—	108-06

Volume 1,294 (1,877)
Previous day's open int 3,505 (3,495)
Basis quote (clean cash price of 13¼% Treasury 2003 less equivalent price of June futures contract) 30 to 40 (32nds)

STERLING £25,000 $ per £

	Close	High	Low	Prev
June	1.4685	1.4695	1.4505	1.4586
Sept	1.4700	1.4710	1.4623	1.4596
Dec	—	—	—	—

Volume 141 (148)
Previous day's open int 2,556 (2,529)

DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
June	0.3909	0.3933	0.3894	0.3892
Sept	0.3971	0.3976	0.3971	0.3936
Dec	—	—	—	—

Volume 67 (106)
Previous day's open int 408 (436)

SWISS FRANCS SwFr 125,000 $ per SwFr

	Close	High	Low	Prev
June	0.4779	0.4790	0.4742	0.4733
Sept	—	—	—	—
Dec	—	—	—	—

Volume 28 (41)
Previous day's open int 144 (166)

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
June	0.4500	0.4500	0.4500	0.4485
Sept	0.4571	—	—	0.4538
Dec	—	—	—	—

Volume 53 (58)
Previous day's open int 280 (322)

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
March	67-31	68-06	67-29	67-26
June	67-10	67-10	67-06	67-04
Sept	66-22	66-30	66-22	66-10
Dec	66-08	66-14	66-05	66-02
March	65-24	65-29	65-24	65-20
June	65-11	65-16	65-11	65-08
Sept	65-00	65-05	65-00	64-29
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

CERT. DEPOSIT (IMM) $1m points of 100%

	Latest	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]

STERLING (IMM) Se per £

	Latest	High	Low	Prev
March	1.4645	1.4655	1.4605	1.4570
June	1.4710	1.4720	1.4625	1.4585
Sept	1.4765	1.4760	1.4745	1.4605
Dec	1.4860	1.4860	1.4825	1.4775
March	1.4910	1.4930	1.4900	1.4850

GNMA (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

COMPANY NOTICES

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRs) IN

TOPPAN PRINTING CO LTD

[illegible]

THE TOKAI BANK LTD., London, Principal Paying and Conversion Agent

14th March, 1984.

CENTRAL FINANCE CO. LTD.

US$30,000,000 4¼ PER CENT CONVERTIBLE BONDS 1991

[illegible]

2) Accordingly, the conversion price at which the Bonds may be converted into shares of Common Stock of the Company will be adjusted with effect 1st April, 1990, Japan time. The conversion price in effect before such adjustment is Yen 651 and the adjusted conversion price will be Yen 842.50.

THE TOKAI BANK LTD., London, Principal Paying and Conversion Agent

14th March, 1984.

CANON INC.

[illegible]

Holders of Depositary Receipts to Bearer (EDR's & DDR's) wishing to exercise their voting rights in respect of the Shares represented by the Receipts held by them are reminded that, in accordance with Clause 8 of the Conditions, they must lodge their Receipts with Hill Samuel & Co. Limited, by 3 p.m., 23rd March 1984, or with one of the sub-agents by 3 p.m., 22nd March 1984, where lodgement forms are available. Voting Rights may only be exercised in respect of Depositary Receipts representing Ordinary shares on the register as at 31st December 1983. Copies of the full text of the Notice convening the meeting are available if required.

Hill Samuel & Co. Limited, 45 Beech Street, London EC2P 2LX

SWISS BANK CORPORATION

NOTICE IS HEREBY GIVEN that the 112th Annual General Meeting will be held in the Foire Suisse d'Echantillons, 'Festsaal,' Messeplatz, Basle on Tuesday, 3rd April, 1984 at 3 p.m. to receive the Directors' Report and the Balance Sheet and the Auditors' Report for the year 1983, to consider and approve these reports, to elect members of the Board of Directors, to pass Resolutions regarding the allocation of profits and to declare a dividend.

To approve the issue of 395,704 new bearer shares and 411,200 new registered shares of SFr 100 nominal at a price of SFr 140 to existing shareholders in the proportion of one new bearer or registered share for every twenty-five bearer or registered shares held and ranking for dividend from 1st January 1984. To approve a further issue of 273,227 bearer participation units of SFr 100 nominal at a price of SFr 140 to existing holders in the proportion of one new participation unit for every twenty-five held and ranking for dividend from 1st January 1984. Authority will also be sought for the issue of 300,000 new bearer shares and 100,000 new registered shares of SFr 100 nominal, to be issued at par to guarantee future convertible loans with no preferential subscription rights to existing unit holders. To amend article 4(1) of the Articles of Association.

Holders of bearer shares can obtain admission cards and proxy forms from the London Office, 99 Gresham Street, London EC2P 2BR, or from any other branch of the Corporation against deposit of the share certificates (or of an approved bankers' Certificate of Custody) not later than Thursday 29th March, 1984. The relevant shares must remain so deposited until after the General Meeting. Registered shareholders will receive these items direct. No new entries will be made on the share register between the 24th February and the 3rd April, 1984. The Balance Sheet and Profit and Loss Account for the year ended 31st December, 1983 will be available to shareholders at all branches of the Corporation in Switzerland from the 19th March, 1984.

BASLE, 28th February, 1984.

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Ortac Investment Holdings Incorporated will be held at Sommerville House, Ingouville Place, St Helier, Jersey on Wednesday 4th April 1984 at 12 noon for the following purposes:

(i) To receive the Report of the Directors and the Accounts for the year ended 31st December 1983, and the Report of the Auditors.

(ii) To re-elect the Directors of the Corporation.

(iii) To re-appoint the Auditors and to authorise the Directors to fix their remuneration.

By Order of the Board
14th March 1984.

CAISSE CENTRALE DE COOPERATION ECONOMIQUE

Bond Issue of US$100,000,000 Floating Rate Notes 1982/2002

The rate of interest applicable to the interest period from March 14th 1984 up to June 14th 1984 as determined by the reference agent is 10⅞ per cent per annum, namely US$274.72 per note of US$10,000.

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In accordance with the Banking Act 1979 S34 (1983/160) all premiums would be payable to Whittling Commodities Limited

PIGMEAT FUTURES

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Market details and information from

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EVE has outlived the others because of a policy of fair play and value for money. [illegible]

CONTRACTS & TENDERS

BRAZIL

ELETROBRÁS - II POWER DISTRIBUTION PROJECT (LOAN Nº 2364-BR)

ELETROPAULO - ELETRICIDADE DE SÃO PAULO S.A.

ELETROPAULO - ELETRICIDADE DE SÃO PAULO S.A. is a beneficiary under loan nº 2364-BR, obtained through Centrais Elétricas Brasileiras S.A. - ELETROBRÁS, from the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT - IBRD - to cover part of the electrical distribution expansion program planned for the years 1984/1987.

During the next 12 months ELETROPAULO will issue invitations for international bidding for the supply of equipment, material and services grouped as follows:

ITEM	Nº MATERIAL DESCRIPTION	ESTIMATED VALUE (US$ - MILLION)
1	Aluminum conductors (ACSR, ASC)	3.3
2	Aluminum conductors insulated	1.1
3	Disconnecting Switches-brake-type (15 kV)	1.0
	and Fuse Disconnecting Switches (100 amp)	
4	Line Supports	8.8
5	Distribution Transformers (single and three phase)	6.8
6	Wattmeter Meters	3.0
7	Metalclad Switchgear (15 kV)	4.9
8	Miscellaneous	2.6
		30.0

Suppliers and manufacturers from member countries of IBRD, Switzerland and Taiwan who wish to be included in a mailing list to receive invitations to participate in the bidding for the above mentioned items are requested to state in writing their interest, addressing their communication as follows:

ELETROPAULO - ELETRICIDADE DE SÃO PAULO S.A. IBRD LOAN Nº 2364-BR ATT: SUPERINTENDENCY FOREIGN SUPPLY Av. Brigadeiro Luiz Antonio, 1613 - 9º andar 01317 - São Paulo - BRAZIL

LEGAL NOTICES

Company No. 1388863
Registered in England
IN THE MATTER OF
THE COMPANIES ACT 1948 TO 1981
AND IN THE MATTER OF
J. OSAWA & CO. (UK) LIMITED

Registered Office: 4 Charterhouse Square, London, EC1
Business Address: 10 Forge Court, Reading Road, Yately, Camberley, Surrey, GU17 7RX

NOTICE IS HEREBY GIVEN pursuant to Section 293 of the Companies Act, 1948 that a meeting of the CREDITORS of the above-named Company will be held at The Chartered Insurance Institute, 20 Aldermanbury, London, EC2, on Monday 26th March 1984 at 12.00 noon for the purposes mentioned in Section 294 et seq of the said Act.

Dated this 2nd day of March 1984.
By Order of the Board,
RICHARD H. FOOT,
Director.

PERSONAL

FACT

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Capital Market Section
Tel: Oslo 31 90 50. Telex: 19968 spark n.
Tordenskiolds gt. 8-10, Oslo 1, Norway. Tel: 472 31 90 50.

INTERNATIONAL CAPITAL MARKETS

Mortgage Bank of Denmark issues $125m floater

BY MARY ANN SIEGHART IN LONDON

THE Mortgage Bank of Denmark issued a $125m Eurodollar floating rate note yesterday through Morgan Stanley and Goldman Sachs, designed to appeal to investors who want to take advantage of the positive yield curve.

The coupon of ⅛ point over the three-month London interbank offered rate will be paid quarterly but reset monthly, which means that noteholders can safely borrow at a montly rate while receiving their interest on a three-monthly basis.

The 15-year note has a put option for investors after 12 years and front-end fees of 0.27 per cent. It traded yesterday at a discount of about 0.12 per cent from its par issue price.

Meanwhile, Yasuda Trust, the Japanese bank, is raising $100m through a five-year bond paying a 12¾ per cent coupon at par. Salomon Brothers is leading the deal with Yasuda Trust and Bankers Trust International. The borrower is swapping the proceeds for floating rate dollar debt. It traded at a 1⅝ per cent discount, outside the selling concession but inside the total fees.

Prices in the dollar secondary market edged up slightly following a more positive lead from the New York market, but turnover was very low.

Expected today is a DM 50m warrant deal from Kansai Paint Company. Led by Commerzbank, the deal will have a five-year life.

TransCanada Pipeline is raising SwFr 100m through an eight-year public issue with an indicated yield of 5⅝ per cent. UBS will price the deal on Friday.

BHF Bank bond average

March 13		Previous
99.824		99.759
High	1983-84	Low
102.017		97.699

Under the weight of the last few weeks' new issues, prices in the Swiss franc bond market edged down yesterday. But the German market was boosted by a weaker dollar and a slightly more optimistic tone in New York. Prices rose by ⅛ to ¼ point.

● The issuance of Japanese corporate bonds in fiscal 1983, ending March 31, is expected to total only Y683bn down 35 per cent from the previous year and the lowest in 11 years.

Indonesia to scale down borrowing

By Peter Montagnon in London

INDONESIA has joined the ranks of sovereign borrowers which intend to scale down their requirements from the international capital markets for the remainder of the year, according to Mr Arifin M Siregar, the country's central bank governor.

He told banks subscribing to the country's latest $750m credit that the loan, which was signed on Tuesday in New York, had satisfied in advance the major part of the Government's needs for the fiscal year beginning in April.

Indonesia's foreign exchange reserves reached about $8.6bn at the end of February and its current account deficit for the year ending March 31 would be less than $5bn, compared with a previous forecast of $6.5bn, Mr Siregar said.

The loan, which was increased from an original target of $500m, was co-ordinated by a group of banks led by Bank of Tokyo, Chase Manhattan, Industrial Bank of Japan, Lloyds Bank International and Morgan Guaranty.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for March 13.

U.S. DOLLAR STRAIGHTS — OTHER STRAIGHTS — FLOATING RATE NOTES — DEUTSCHE MARK STRAIGHTS — CONVERTIBLE BONDS — SWISS FRANC STRAIGHTS — YEN STRAIGHTS

Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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OVER-THE-COUNTER — Nasdaq National Market

Continued from Page 38

Stock	Sales (Hnds)	High	Low	Last	Chng
Rouse .92	23	31½	30¾	31½	+⅛
RoyBGp	8	6¼	6¼	6¼	−⅛
SwnhF .60e	35	37¼	36¾	37	−½
ScanOp	57	9¼	9	9	
ScanTr	18	15½	15	15	
Shelshl	430	17¼	16½	17	+¼
Shony s .16	464	23½	22¾	23¼	+¼
ShonSh	7	15¼	15	15	−⅛
SilcnG s	128	13½	13	13½	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

S—S T—T U—U V—V W—W X—Y—Z

All of these securities having been sold, this announcement appears as a matter of record only.

70,000 Units
Hamilton Technology, Inc.
A Member of the Clabir Corporation Group of Companies

$70,000,000 12½% Senior Subordinated Debentures due February 1, 1999
with
1,050,000 Shares of Common Stock

Each Unit consists of $1,000 principal amount of Debentures and 15 shares of Common Stock. The Debentures and the Common Stock included in the Units will not be separately transferable prior to the close of business on June 1, 1984 or such earlier date as may be determined by Drexel Burnham Lambert Incorporated.

Drexel Burnham Lambert
INCORPORATED

February 7, 1984

This announcement appears as a matter of record only

These securities have been sold outside the United States
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